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A PROPOSED STATEWIDE ODOMETER VIOLATION ENFORCEMENT SUPPORT SYSTEM

ORIGINAL

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FINAL REPORT

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16. Abstract

While the exact magnitude of the problem is not known, it has been estimated that illegal odometer rollbacks cost U.S. consumers over a billion dollars annually. The initial goal of this project was to develop a system for capturing odometer readings on cars, light trucks and vans that could be used specifically by N.C. law enforcement personnel to detect and prosecute cases of odometer fraud. The focus of the project was later redirected toward providing a more general resource document that could be used by any state considering increased odometer enforcement activities. To this end, Chapter 1 of this report discusses legal requirements regarding odometers and odometer disclosure, the magnitude of the problem of odometer fraud, and a review of relevant literature and current state practices in this area. Chapter 2 follows with a detailed account of titling and registration procedures practiced in N.C. Chapter 3 then presents HSRC's recommendations for capturing odometer readings statewide. The two primary components of the proposed system are: (1) an odometer disclosure statement on the title form and any dealer reassignment forms at the time of motor vehicle transfer, and (2) odometer disclosure in conjunction with (annual) motor vehicle registration. The system also emphasizes the importance of increased consumer awareness of the nature of the problem of odometer fraud and legal steps that can be taken against suspected violators.

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METRIC CONVERSION FACTORS

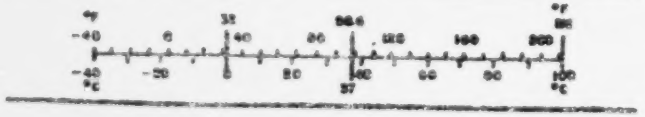
Approximate Conversions to Metric Measures

Symbol	When You Know	Multiply by	To Find	Symbol
	LENGTH			
in	inches	*2.5	centimeters	cm
ft	feet	30	centimeters	cm
yd	yards	0.9	meters	m
mi	miles	1.6	kilometers	km
	AREA			
in^2	square inches	6.5	square centimeters	cm^2
ft^2	square feet	0.09	square meters	m^2
yd^2	square yards	0.8	square meters	m^2
mi^2	square miles	2.6	square kilometers	km^2
	acres	0.4	hectares	ha
	MASS (weight)			
oz	ounces	28	grams	g
lb	pounds	0.45	kilograms	kg
	short tons (2000 lb)	0.9	tonnes	t
	VOLUME			
tsp	teaspoons	5	milliliters	ml
Tbsp	tablespoons	15	milliliters	ml
fl oz	fluid ounces	30	milliliters	ml
c	cups	0.24	liters	l
pt	pints	0.47	liters	l
qt	quarts	0.95	liters	l
gal	gallons	3.8	liters	l
ft^3	cubic feet	0.03	cubic meters	m^3
yd^3	cubic yards	0.76	cubic meters	m^3
	TEMPERATURE (exact)			
°F	Fahrenheit temperature	5/9 (after subtracting 32)	Celsius temperature	°C

*1 in = 2.54 (exactly). For other exact conversions and more detailed tables, see NBS Misc. Publ. 286, Units of Weights and Measures, Price $2.25, SD Catalog No. C13.10:286.

Approximate Conversions from Metric Measures

Symbol	When You Know	Multiply by	To Find	Symbol
	LENGTH			
mm	millimeters	0.04	inches	in
cm	centimeters	0.4	inches	in
m	meters	3.3	feet	ft
m	meters	1.1	yards	yd
km	kilometers	0.6	miles	mi
	AREA			
cm^2	square centimeters	0.16	square inches	in^2
m^2	square meters	1.2	square yards	yd^2
km^2	square kilometers	0.4	square miles	mi^2
	hectares (10,000 m^2)	2.5	acres	
	MASS (weight)			
g	grams	0.035	ounces	oz
kg	kilograms	2.2	pounds	lb
t	tonnes (1000 kg)	1.1	short tons	
	VOLUME			
ml	milliliters	0.03	fluid ounces	fl oz
l	liters	2.1	pints	pt
l	liters	1.06	quarts	qt
l	liters	0.26	gallons	gal
m^3	cubic meters	35	cubic feet	ft^3
m^3	cubic meters	1.3	cubic yards	yd^3
	TEMPERATURE (exact)			
°C	Celsius temperature	9/5 (then add 32)	Fahrenheit temperature	°F



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Here at HSRC special thanks are due our typists, Teresa Parks, Judy Hall and Peggy James, our graphic artist Cranine Brinkhous, and our librarian Beth Boone. The able services of these individuals were called upon throughout the project.

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CHAPTER 1. INTRODUCTION

Background

Legal Requirements

Every year buyers of used cars are deprived of unknown thousands of dollars because of odometer rollbacks, which make the cars appear to have been driven fewer miles than they really have been. And this occurs even though there are a variety of federal and state laws aimed at preventing this practice. Obviously the profits accrued by persons engaged in this illegal practice along with the seemingly low probability of being detected make this an attractive practice to various dealers and/or individuals.

At the federal level, Title IV of the Motor Vehicle Information and Cost Savings Act (15 U.S.C. 1981 et seq., Sections 401-420) prohibits tampering with odometers and authorizes the National Highway Traffic Safety Administration (NHTSA) to issue rules governing the disclosure of odometer readings. The intent of this legislation is to provide safeguards to enable the consumer to rely on the odometer reading as an accurate indication of the safety, reliability and value of the motor vehicle he is considering purchasing.

More specifically, the law contains the following summarized components:

1. It is illegal to install, or sell for installation, any device which causes an odometer to register any mileage other than the true mileage driven.

2. It is illegal to disconnect, reset, or alter the odometer of any motor vehicle with the intent to change the number of miles indicated thereon.

3. It is illegal to operate a motor vehicle knowing that the odometer of such vehicle is disconnected or nonfunctional.

4. If an odometer must be altered during service, repair or replacement, the odometer shall be set to zero and a notice attached to the left door frame of the vehicle specifying the mileage and date at the time of this alteration.

5. Any vehicle transferor shall give to the transferee the following written disclosure:

    a. Disclosure of the cumulative mileage registered on the odometer; or

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b. Disclosure that the actual mileage is unknown (if the odometer reading is known to the transferor to be different from the mileage the vehicle has actually traveled).

NOTE: See Figure 1.1 for details on an odometer disclosure form recommended by the American Association of Motor Vehicle Administrators and the National Highway Traffic Safety Administration.

6. Any violator of any of the previous sections shall be liable in an amount equal to the sum of

   a. Three times the amount of actual damages sustained or $1500, whichever is greater; and

   b. Court and attorney fees if the legal action is successful.

7. In addition, the law details the following areas:

   a. Injunctive enforcement
   b. State enforcement
   c. Civil penalty
   d. Criminal penalties
   e. Inspections and investigations
   f. Administrative warrants
   g. Prohibited acts
   h. Authorization of appropriations.

It should be noted that Title IV, Sections 401-420, does not annul, alter or affect the laws of any state with respect to the disconnecting, altering, or tampering with odometers with the intent to defraud, nor does it exempt any person subject to the provisions of this title from complying with such state laws except to the extent that these laws are inconsistent with any provision of Title IV.

Even with the excellent provisions of the federal law coupled with various state laws, odometer fraud probably continues to take place in all types of vehicle transfer operations such as with leased vehicles at or before the time of sale, by wholesalers selling volumes of cars to retailers often through car auctions, by retail dealers, and by individuals realizing the profit to be gained by such a practice along with the low probability of being apprehended.

Magnitude of the Odometer Tampering Problem

The absolute magnitude of the problem or the relative components due to each of the above-listed motor vehicle transactions is not known. Sources at the National Highway Traffic Safety Administration cite that odometer fraud

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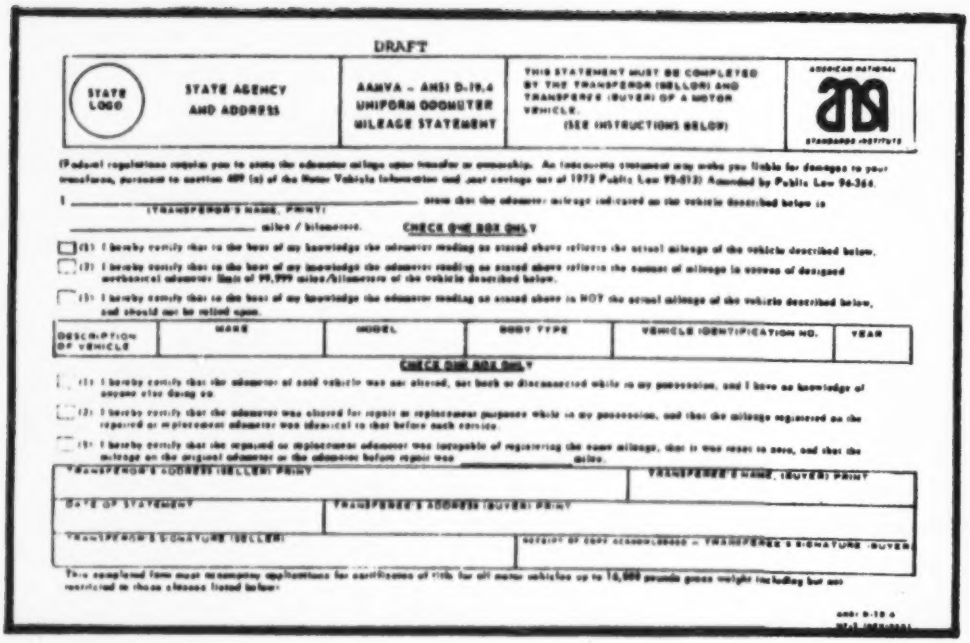

DRAFT

STATE LOGO

STATE AGENCY AND ADDRESS

AAMVA – ANSI D-19.4
UNIFORM ODOMETER MILEAGE STATEMENT

THIS STATEMENT MUST BE COMPLETED BY THE TRANSFEROR (SELLER) AND TRANSFEREE (BUYER) OF A MOTOR VEHICLE.
(SEE INSTRUCTIONS BELOW)

AMERICAN NATIONAL STANDARDS INSTITUTE

(Federal regulations require you to state the odometer mileage upon transfer of ownership. An inaccurate statement may make you liable for damages to your transferee, pursuant to section 409 (a) of the Motor Vehicle Information and cost savings act of 1972 Public Law 92-513) Amended by Public Law 94-364.

I _____ state that the odometer mileage indicated on the vehicle described below is

(TRANSFEROR'S NAME, PRINT)

_____ miles / kilometers. CHECK ONE BOX ONLY

☐ (1) I hereby certify that to the best of my knowledge the odometer reading as stated above reflects the actual mileage of the vehicle described below.

☐ (2) I hereby certify that to the best of my knowledge the odometer reading as stated above reflects the amount of mileage in excess of designed mechanical odometer limit of 99,999 miles/kilometers of the vehicle described below.

☐ (3) I hereby certify that to the best of my knowledge the odometer reading as stated above is NOT the actual mileage of the vehicle described below, and should not be relied upon.

DESCRIPTION OF VEHICLE	MAKE	MODEL	BODY TYPE	VEHICLE IDENTIFICATION NO.	YEAR

CHECK ONE BOX ONLY

☐ (1) I hereby certify that the odometer of said vehicle was not altered, set back or disconnected while in my possession, and I have no knowledge of anyone else doing so.

☐ (2) I hereby certify that the odometer was altered for repair or replacement purposes while in my possession, and that the mileage registered on the repaired or replacement odometer was identical to that before such service.

☐ (3) I hereby certify that the repaired or replacement odometer was incapable of registering the same mileage, that it was reset to zero, and that the mileage on the original odometer or the odometer before repair was _____ miles.

TRANSFEROR'S ADDRESS (SELLER) PRINT	TRANSFEREE'S NAME, (BUYER) PRINT
DATE OF STATEMENT	TRANSFEREE'S ADDRESS (BUYER) PRINT
TRANSFEROR'S SIGNATURE (SELLER)	RETAIN OF COPY ACKNOWLEDGED – TRANSFEREE'S SIGNATURE (BUYER)

This completed form must accompany applications for certificates of title for all motor vehicles up to 16,000 pounds gross weight including but not restricted to those classes listed below:

AAMV D-19.4
Mail (Optional)

Figure 1.1. Suggested format for odometer disclosure form. (Actual size 8½" x 5½")

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costs U. S. consumers over a billion dollars annually. Whether this is a conservative estimate is likewise unknown.

In fact, only the "tip of the iceberg" has been identified to date. For example, the North Carolina License and Theft Section of the Division of Motor Vehicles handles cases of suspected odometer fraud that come to their attention. For a variety of reasons, the magnitude of the investigation program is very limited with, for example, an average of three investigations (statewide) per month in 1977 and 1978 and only six during all of 1979. As of March, 1980 there had been a total of three cases considered likely to involve odometer fraud. In addition, the volume of cases handled at the local and regional level is to date unknown. A very limited survey of several police departments indicated that at best there was very minimal odometer fraud enforcement activity at the local level.

Somewhat in contrast, the Odometer Enforcement Section of the California Department of Motor Vehicles reports the following frequency of odometer complaints for the two-month period, June and July: 88 in 1978, 46 in 1979 and 33 in 1980. These represent correspondingly 2.5%, 2.0%, and 1.5% of the total complaints received by this agency.

It is on the basis of this activity in California that this agency has been awarded a contract by the National Highway Traffic Safety Administration to produce an analysis of odometer tampering violations that is not presently available from any known source. The project is to define the full extent and nature of the odometer tampering problem by examining various kinds of motor vehicle ownership transfers in California.

More specifically the agency has randomly sampled its file of vehicle transfer documents to establish the chain of ownership and compliance with odometer disclosure requirements. Documents on a minimum of 5,000 vehicles (out of approximately 15 million registered vehicles) representing the full range of transactions such as trade-in, outright sale to dealer, and sale to individual consumer will be analyzed, verified for authenticity, and summarized. The accuracy, completeness and usefulness of the existing California records system will be evaluated. And the degree of involvement and the extent of odometer tampering indicated among the various aspects of the used vehicle market will be quantified as well as characterized in terms of geographic, demographic, vehicle, and dealer variables.

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A parallel component of the project involves the tracking of at least 2,000 leased vehicles through all intermediate channels to their current individual owners. The investigation will involve cross-checking of dealership licenses, dealer reassignments, interstate transfer of titles, physical shipments, and evidence of odometer reversals.

It is anticipated that the results of this project will provide, for the first time, solid evidence with respect to the odometer tampering problem: how much is being done, by whom, on which vehicles, where, and at what point(s) in the life of the vehicle.

Goal of This Study

Initially, the basic goal of this study was to develop a system for North Carolina which would capture odometer readings of cars, light duty trucks and vans in order to provide a progressive history of vehicle mileage. This system would be accessible to both law enforcement personnel as well as the citizenry of North Carolina. Optimistically, the system would be appealing to a large number of states so that the necessary interstate cooperation could be obtained.

Then, a detailed plan for a pilot demonstration (or field test) project in North Carolina was to be developed to show the feasibility of the proposed system. However, as it became clear that such a demonstration project would not be carried out in the foreseeable future in North Carolina, the emphasis of the project was changed to provide an idealized (yet feasible) system with various fallback options that might be implemented by some other state(s) with titling and registration procedures similar to those in North Carolina.

The lack of citizen complaints (at least in North Carolina) leading to investigations may be due to a lack of knowledge by individuals who buy and/or sell vehicles. An outgrowth of this project is the recommendation for educational campaigns with respect to the federal requirement of odometer disclosure forms for all vehicle transfers and also with respect to mechanisms for filing complaints and/or using the system to interrogate whatever progressive odometer history file that is established in a given state.

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Literature Review on Odometer Tampering

The literature useful in considering odometer tampering is sparse and varies from research reports on a variety of surveys to a compilation of articles found in various periodicals and in the daily press. There is a notable lack of hard data detailing the nature and magnitude of actual odometer tampering. There is, for example, no report which gives a reasonable idea of the magnitude of the problem. Nevertheless, an examination of that which is available should be useful.

Two studies from the state of Washington, Paulsrude (1972) and Ayers and Paulsrude (1976), looked at vehicles in used-car lots before and after increased enforcement activity. In the early study, 87 vehicles were examined, odometers read, and previous owners contacted. The vehicles chosen for the study were "front line" cars on lots in one city and included dealerships which had earlier been implicated in unfair practices. The sample is therefore biased. Of the 87 vehicles, 17 were shown to have altered odometer readings. As one might expect, the dealerships varied from those showing no altered odometers to those showing three out of a sample of five having been rolled back. In the later study, Ayers and Paulsrude followed the same procedure and obtained odometer readings from 154 vehicles on 15 used car lots. Of these vehicles, the odometer readings were verified by communicating with the previous owner in 98 instances. In 56 or 36 percent of the cases, the previous owner could not be reached. In no case was there evidence of odometer tampering. In both of these reports, however, the numbers of vehicles examined were small and a considerable proportion of vehicles in each case could not be used because the prior owner could not be reached.

Mulvey (1979) reported on New Jersey's odometer reporting system, which requires a valid title for each owner (including a dealer) and incorporates the odometer reading on the title form. The title information is then stored (hard copy) in the New Jersey Title Bureau and may be accessed manually. In this study the title information for 11,672 vehicles was consulted and odometer fraud was defined as a lower odometer reading at a later date. It does not appear, however, that any provision is made in the study for odometer readings which are lower by virtue of having gone

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beyond 100,000 miles. Mulvey notes that odometer fraud is directly related to vehicle age and number of times sold in New Jersey. Of the total number of vehicles whose records were checked, 82 showed evidence of odometer fraud, or 0.7 percent of the total.

It should be noted that Mulvey's study in New Jersey was based on a sample of 11,672 vehicles which is relatively large, yet there is no indication of how this sample was chosen. Possible biases in the study are unknown. Therefore the 0.7 percent rollback overall is only an approximation to some yet unknown value.

Morse (1979) has given statistics on 32 vehicles which were either purchased at one auto auction and sold at another up to 37 days later or were involved in the transactions of three different dealers in the first five months of 1979. In each instance, the cars were sold later with lower mileage readings. There was no apparent relationship between the amount of price increase achieved by rollback and make, model, or year of vehicle or length of time between purchase and resale. In each case, however, the rollback placed the vehicle at or near the mileage which allowed for no further price reduction for additional mileage rollback.

What is this "mileage deduction" guideline? Basically it is a series of tables by make, model and year of car that provides used car retailers and dealers with a recommended basis for deducting from the evident estimated value a certain amount which increases according to the ascending odometer reading on the car. Conversely, it provides the individual involved in odometer rollback with a guideline as to how much mileage should be removed before no additional dollar value is to be gained. These tables are contained in The Automotive Market Report, a national weekly publication dealing with the motor vehicle auction business.

More specifically, in each issue there are two mileage deduction charts--one for medium, standard and intermediate cars, and the other for luxury, compact, and sub-compact cars. The deductions are given for cars one, two, three and four years of age, and mileage is grouped in five-thousand-mile increments. Using these charts, it is possible to find the threshold mileage below which there will be no increased value of the car by having a lower odometer reading.

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Figure 1.2 illustrates one column from The Automotive Market Report of September 26, 1979 (p. 49) which will serve as an example. If a person has a two-year old compact car with 86,570 miles on the odometer, this figure shows that the recommended deduction from the standard price will be $890. By rolling the odometer back to 42,000 miles, the selling price will be increased $725. By reducing the odometer reading to near the threshold at say 25,100 miles, the selling price will be increased $890 over the original, and there will be no deduction for excess mileage removal.

Odometer Reading	Recommended Deductions for Excess Mileage ($)
To 15,000	-0-
15,000-20,000	-0-
20,000-25,000	-0-
25,000-30,000	50
30,000-35,000	80
35,000-40,000	140
40,000-45,000	165
45,000-50,000	230
50,000-55,000	310
55,000-60,000	390
60,000-65,000	465
65,000-70,000	545
70,000-75,000	645
75,000-80,000	730
80,000-85,000	815
85,000-90,000	890
90,000-95,000	980
95,000-100,000	1060

Figure 1.2. Excess mileage deduction chart for two-year old compact car.

Thus, Morse (1979), in his analysis of odometer tampering examining the records of 32 vehicles, found that the odometer rollback generally resulted in an altered odometer at or near the threshold value for the particular car (e.g., around 25,000 miles for a two-year old compact car).

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Automotive News, the national weekly concerned with the automobile business, has articles which cover new developments in the manufacturing industry as well as trends in sales, odometer fraud, etc. For example, during 1979 there were several articles dealing with odometers, four concerning odometer rules (e.g., "NHTSA proposes changes in new speedometer rule") and fifteen concerning dealers indicted and/or convicted of odometer rollback (e.g.,"Odometer roller ordered to pay 14 customers").

Occasionally one may find newspaper articles, dealing with odometer fraud as, for example, "Some Used Car Wholesalers 'Clip the Clock'" from a series in the Raleigh News and Observer in August of 1972, which was about the time of the publication of federal recommendations concerning odometer disclosure. For these articles, a reporter went to one North Carolina community in which five wholesalers were located. These dealers sent their vehicles most often to an auction in Virginia. Of 14 cars whose odometer readings were recorded, ten had been rolled back according to statements made by previous owners. The amount rolled back ranged from just under 3,000 miles to approximately 54,000 miles. Although the North Carolina authorities became interested in the situation, notifying the Federal Trade Commission and the Virginia Attorney General, no action was taken by North Carolina. The major reason for the inaction was that the cars had moved across a state line, with the rollback occuring in North Carolina and the result being felt in Virginia. This represents a continuing obstacle to improved odometer fraud enforcement.

Obviously there is a need for carefully designed research which will describe the magnitude of odometer rollback and the location within the used car business of the major components of the problem. It is anticipated that the study being carried out in California will provide the best information to date on the odometer tampering problem.

State Practices

In order to devise an optimal yet feasible statewide vehicle odometer system for use in enforcement, it is important to examine existing state practices in collecting odometer information. As any recommended system is likely to involve titling and registration procedures, it is likewise

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important to examine various state practices in these areas. Thus, this section reviews the information which is available in these two vital areas.

As mentioned previously, the Motor Vehicle Information and Cost Savings Act establishes federal requirements that sellers of motor vehicles disclose the odometer reading to buyers at the time of vehicle transfer. To implement this legislation, the National Highway Traffic Safety Administration has issued regulation 49 CRF Part 580, Odometer Disclosure Requirements. This regulation, which became effective March 1973 and was amended August 1977, establishes specific requirements for a written statement wherein the seller of a motor vehicle attests to the buyer the accuracy of the vehicle's odometer reading. The revised regulation appears in the Federal Register, Vol. 42, No. 147. Briefly, the regulation requires a written statement signed by the transferor containing:

1. The transferor's name and address; transferee's name and address; description of the vehicle; date of transfer; odometer reading at time of transfer.

2. Indication that the odometer reading is, to the best of the transferor's knowledge, correct, in excess of 99,999 miles, or else not correct.

3. Certification that the odometer was not altered, set back or disconnected.

In addition, the regulation requires reference to the Motor Vehicle Information and Cost Savings Act and recognition of the penalties that may incur from providing incorrect information.

A copy of the recommended federal odometer disclosure form is shown in Figure 1.1. Alternatively, a state may petition NHTSA for approval of its Certificate of Title in lieu of the recommended disclosure form. In practice, disclosure on the title form is the approach most often followed, although states vary greatly in the manner and extent to which they comply with the federal odometer disclosure requirements.

Two surveys were made in 1973 to determine the extent to which sellers (both dealers and private individuals) provided the purchaser with odometer disclosure statements which conformed to the federal standard. One survey (Nehamen, 1974), contacted dealers and individual sellers in 15 western and mid-western states and found that dealers provided odometer information more often than not and that private individuals usually did not do so. Of the 750 dealers contacted, 130 instances of

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non-conformity were noted, ranging (by city) from nine percent to 53 percent. Of the 134 private sales, 127 (or 95 percent) were not in conformance.

A survey (Smith-Waison, 1974) was made at about the same time of dealers and private individuals in 15 mid-western and eastern cities. Dealers provided odometer statements 61 percent of the time, although only 52 percent actually conformed to the federal recommendations. When the sale was between private individuals, only 4.7 percent of the time were any sort of odometer statements given. Only 1.9 percent of the sales overall had statements which conformed to federal standards.

As noted previously, recording of the odometer reading on the vehicle certificate of title has been the primary approach taken by the states to guard against odometer fraud. During 1977, the American Association of Motor Vehicle Administrators in cooperation with the National Highway Traffic Safety Administration conducted a survey of 67 jurisdictions (49 U.S. states, 4 Hawaiian counties, Puerto Rico, the District of Columbia, and 12 Canadian regions) to examine odometer disclosure practices at that time. The survey provided input to a model program outlining the "policy and procedures for disclosure of odometer readings on each motor vehicle title and/or its affiliated documents." See Disclosure of Odometer Readings on Motor Vehicle Title Documents (1978) for details of this survey which included twenty questions concerning odometer readings, such as whether the state had an odometer disclosure law or regulation, whether the titling program was (or will be) computerized, and even whether the state considered its odometer law effective.

Overall, 55 of the 67 jurisdictions responded to the survey for a response rate of 82.1 percent. Of those responding, 31 (56.4 percent) required odometer disclosure, 24 (43.6 percent) did not. Of the 31 jurisdictions requiring disclosure, 22 (71.0 percent) indicated that their laws and regulations were compatible with federal regulations while 24 (80.0 percent) considered their laws and regulations "effective." These summary figures may be misleading, however, since many of the responding states also gave qualifying comments. For example, Tennessee noted that its statute merely precluded alteration of mileage by used car dealers, while several states noted problems in enforcing their laws.

Related to this, 26 (89.6 percent) of the 31 jurisdictions requiring disclosure indicated that they had some enforcement against odometer rollback and 17 of the jurisdictions (60.7 percent) inspected dealers regarding

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odometer disclosure requirements. Fines and penalties for convicted violators usually included a maximum fine of from $500 - $1000 and/or jail sentence of up to one year, plus suspension or revocation of license in the case of convicted dealers. Massachusetts, Missouri and North Carolina also indicated that civil damages up to three times the actual damages could be imposed, if this amount is greater than a maximum set fine ($1500 in Missouri and North Carolina). For those states reporting on the number of violations recorded each month, the figures ranged from less than one to up to one hundred. The latter was reported from Minnesota, with the indication that this number was considered to be "only the tip of the iceberg."

The question of where the odometer disclosure appears received varying replies. Three jurisdictions reported that odometer disclosure was required on the title only, and eight only on a special separate odometer disclosure certificate. The remaining 20 jurisdictions indicated a variety of combinations of disclosure on title, separate form or certificate, bill of sale, sales order, dealer statement, etc. Also, whereas most (82.1 percent) of the jurisdictions required the reporting of all digits on the odometer, only half required recording true mileages exceeding 99,999 miles.

Finally, of interest to the current study is that the majority of the states surveyed had computerized titling programs, including 71 percent of those with disclosure requirements. However, there was no indication whether any of these states routinely computerized odometer information.

A current source of information on odometer control enforcement efforts by the states is an ongoing survey being conducted by the Office of Odometer Enforcement, National Highway Traffic Safety Administration (see NHTSA, 1979, 1980). The survey deals with specific odometer requirements under the law; information on odometer complaints and violations received in 1978 and how such complaints were handled; the numbers of new and used car dealers in a given state; how the dealers are regulated; what records are kept concerning motor vehicle transfers both from in and out of state; how transfer information is retrieved; and details of the state inspection program (where applicable), whether odometer readings are recorded in connection with such inspection, and how this information may be retrieved. As of early 1980, the responses of eight states, namely Connecticut, Kansas, Massachusetts, Michigan, Minnesota, New York, South Carolina and Wisconsin, had been examined.

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All but South Carolina reported that their state laws contained specific odometer requirements and provided a copy of these requirements. South Carolina's odometer requirements were presumably included in an "Unfair Trade Practices Act" which was also made available. In all of the states, either the Department of Motor Vehicles and/or the Office of the Attorney General (Consumer Affairs Section) was responsible for receiving complaints concerning odometer fraud. The number of complaints received in 1978 ranged from approximately five reported by South Carolina to over 300 reported by Michigan. The number of dealers found in violation of odometer laws in 1978 was much smaller; Minnesota and South Carolina both reported none, New York 15 (including open and closed complaints), Connecticut had approximately 40 cases (all pending), Wisconsin 50, and Michigan 155. Figures for Kansas were unavailable. The usual action taken against dealers found in violation of the law was suspension or revocation of their license.

New York State reported the highest number of licensed new and used car dealers with over 8,000 and Michigan was second with almost 5,000. Kansas reported a total of 900 dealers, and the remaining states all reported roughly 1,000 new car dealers and 2,000 used cars dealers. All eight states had regulations concerning dealer licensing, and all had dealer inspections. Inspections were usually conducted prior to licensing and thereafter either on a regular basis (every one or two years), randomly, or upon consumer complaint, notice of illegal procedures, etc.

All of the states maintained title and other records of vehicle transfer. Regarding the reporting of odometer readings at the time of transfer, Kansas, Massachusetts, Michigan and Minnesota all indicated 'yes.' Connecticut, New York and Wisconsin each gave a qualified 'yes' (odometer disclosure by dealers only, etc.), and only South Carolina reported 'no.' Generally the same requirements held for the interstate transfer of vehicles with titles being returned after such transactions.

Regarding motor vehicle inspection programs, only two states (New York and South Carolina) out of the eight both required periodic motor vehicle inspection and recorded mileages at the time of inspection.

A final source of information on registration, titling, dealer reassignment, and odometer disclosure procedures by states is the publication by R. L. Polk and Company (see Polk, 1979). In addition to

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textual material describing the procedures for titling and for registration, reproduction of the application forms for title and registration and the ownership documents as well as a reproduction of a driver's license are given in the publication. Eighteen pages summarize this information for each jurisdiction, and a further section gives addresses and phone numbers of the state agencies concerned with the different aspects of motor vehicle operation. Most of the documents are quite recent, with well over half dated 1979 or later. Polk continuously updates the manual.

Examination of this material revealed that two-thirds of the states required odometer disclosure on the title document, either at the time of sale or upon issuance of a new title. In only a third of the states, however, was the format of this disclosure consistent with federal guidelines.[1] Also, only a couple of states required an odometer reading at the time of annual vehicle registration. In these states, the same form was used for both vehicle registration and titling.

Title forms for all but ten states contained a separate section for dealer reassignments, usually for only one reassignment but sometimes for two or three. Those states requiring odometer disclosure at transfer of title also usually required dealers to report on a vehicle's mileage during reassignment. There were approximately 20 states in this category, and the resulting mileages that might accumulate from one or more dealer reassignments prior to final sale and retitling constituted the only apparent odometer "history" on any of the title forms.

This publication by R. L. Polk and Company is thus a useful reference for title and registration information. The surveys (Nehamen, 1974; Smith-Waison, 1974) provide valuable information on odometer disclosure conformance. The NHTSA-AAMVA (1978) survey and the ongoing NHTSA survey yield current and useful information on odometer disclosure and odometer enforcement efforts on a state-by-state basis. Collectively, they form the foundation for recommending a feasible, practical and cost-effective odometer enforcement support system.

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[1] As of December 1979, NHTSA had approved the titles of nine states: Hawaii, Maryland, Massachusetts, Michigan, Minnesota, New York, North Dakota, Ohio and Pennsylvania. Other states that appeared to have title forms consistent with these nine were Delaware, Kansas, Louisiana, Maine, Missouri, Montana, South Dakota and Utah.

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Contents of Report

Initially, the goal of this project was to develop an odometer enforcement support system for pilot demonstration in North Carolina which would utilize existing state procedures and corresponding documents (e.g., vehicle titles, motor vehicle inspection and registration documents). Clearly, modifications and revisions would be required. Because of a concurrent heavy demand on the relevant sections of the Division of Motor Vehicles brought about by the implementation of statewide staggered vehicle registration programs and also a classified driver licensing system, it became obvious that there were not adequate resources (personnel) to also conduct a field test of a proposed odometer enforcement support system. Thus, the scope of the project was changed.

The revised goal of this project is to provide recommendations for improved odometer enforcement support systems at various levels for all states to consider based on their existing titling, registration, odometer information and inspection programs. Following the detailed review of the literature on odometer tampering and state practices related to odometer disclosure described in Chapter 1, a detailed discussion of titling, registration, and related programs in North Carolina along with a review of existing odometer information is given in Chapter 2. This is presented to provide the background for Chapter 3 (on the proposed system) along with yielding for other states a reference with which to be able to compare their systems.

During the course of this study, a variety of "solutions" to odometer tampering have been proposed. Several retail dealers with many years of experience have supposedly indicated the primary components of the problem and have recommended strict enforcement in these areas (e.g., retail-to-retail dealers). Another "solution" would be to replace the existing odometers with trip odometers which would only register up to 9999.9 miles. Such odometers would make tampering unprofitable but might cause more problems than they solve.

Yet another "solution" would be a document supplied by the manufacturer which would remain with the vehicle for its entire lifetime. As mileage, date, and people-place information would be recorded on the document each time there was a transfer of ownership, there would be a complete odometer history for the vehicle. This system would avoid all of the interstate problems encountered by almost any other "paper-type" system. However, security of the document, both in terms of altering previous readings

and also keeping the document with the vehicle, is a major drawback at present.

Chapter 3 details an odometer enforcement support system essentially based on the titling, registration and inspection procedures extant in North Carolina. In addition, a variety of modifications or fallback options are indicated for states with different systems. It is hoped that the proposed system(s) with possible revisions might be adopted by some states interested in and able to initiate additional odometer support system programs.

Finally, Chapter 4 provides a discussion of the recommended systems along with the general area of odometer fraud.

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CHAPTER 2. TITLING AND REGISTRATION PROCEDURES IN NORTH CAROLINA

The literature review in Chapter 1 has provided general background information concerning current odometer disclosure practices by the states and what is known about the magnitude of the problem of odometer fraud. In order to make recommendations for an effective odometer enforcement support system for a state, an understanding is first needed of that state's specific titling and registration procedures. These in turn are governed by the state's motor vehicle laws and regulations.

In this chapter, a fairly detailed description of titling and registration procedures in North Carolina will be given. As North Carolina appears to be fairly typical in this regard, it is felt that other states will benefit from this overview. At the least, this description and accompanying display of documents should serve to illustrate the complexity of the problem. It should also emphasize the range of possibilities for making changes that could facilitate the detection and prosecution of acts of odometer fraud.

North Carolina Laws and Regulations

The titling and registration of motor vehicles in North Carolina are governed by the appropriate motor vehicle laws (Section 20 of the General Statutes) along with the rules and regulations promulgated by the Commissioner of the Division of Motor Vehicles. The Motor Vehicle Laws of North Carolina is reprinted from the General Statutes and cumulative supplement and is issued semi-annually. Appendix A contains excerpts from those laws having direct relevance to the project. These include:

The Motor Vehicle Act of 1937
- Authority and duties of Commissioner and Division
- Registration and certificates of titles of motor vehicles
- Transfer of title or interest
- Issuance of special plates
- Anti-theft and enforcement provisions

Motor Vehicle Law of 1947
- Equipment inspection of motor vehicles

Motor Vehicle Dealers and Manufacturers Licensing Law

The Vehicle Financial Responsibility Act of 1957

Vehicle Mileage Act

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This last Article, passed by the N.C. General Assembly in 1973, contains laws making it illegal to (1) install devices to cause an odometer to record inaccurately, (2) disconnect, alter or reset an odometer, or (3) operate a vehicle with a disconnected odometer. The law also outlines odometer disclosure requirements and provides for private civil action against violators to the amount of three times the damages or $1500, whichever is greater.

The Motor Vehicle Dealers and Manufacturers Licensing Law (Article 12, Chapter 20, Sections 20-285 through 20-308) also appears in a booklet compiled by the License and Theft Section of the N.C. Division of Motor Vehicles, along with the rules and regulations promulgated by the Commissioner governing the activities and the licensing of motor vehicle dealers, salesmen and manufacturers in the state (N.C. Division of Motor Vehicles, License and Theft Section, 1978). The sections of the North Carolina law appear first, followed by sections on definitions; the licensing of dealers, manufacturers and salesmen; the manner of operation and records required; inspection and investigation; hearings; suspension, revocation and renewal refused; out of business; and miscellaneous statutes. Application forms for the various licenses are reproduced at the end of the booklet. Appendix B of this report contains a summary of just the rules and regulations supplementing the motor vehicle law.

All motor vehicle transactions within the state are governed by this combined set of laws and regulations. What follows is a description of the variety of ways in which vehicle transactions can occur and the titling and registration procedures required.

North Carolina Titling and Registration Procedures

A diagram illustrating types of ownership transfers in North Carolina is given as Figure 2.1. The description which follows is keyed to this diagram; the letters A, B, C, and so on in the text refer to the sections of the diagram marked with the same letter.

A new vehicle coming into North Carolina brings with it a Manufacturer's Certificate of Origin which remains with the vehicle until it is purchased by a consumer (A). The face of the Certificate of Origin (see Figure 2.2) describes the new vehicle and indicates the distributor or dealer to whom it was transferred by the factory.

When the dealer sells the vehicle to an individual consumer or transfers the vehicle to another dealer (B), the first dealer completes the "distributor-dealer reassignment" on the reverse of the Certificate of Origin

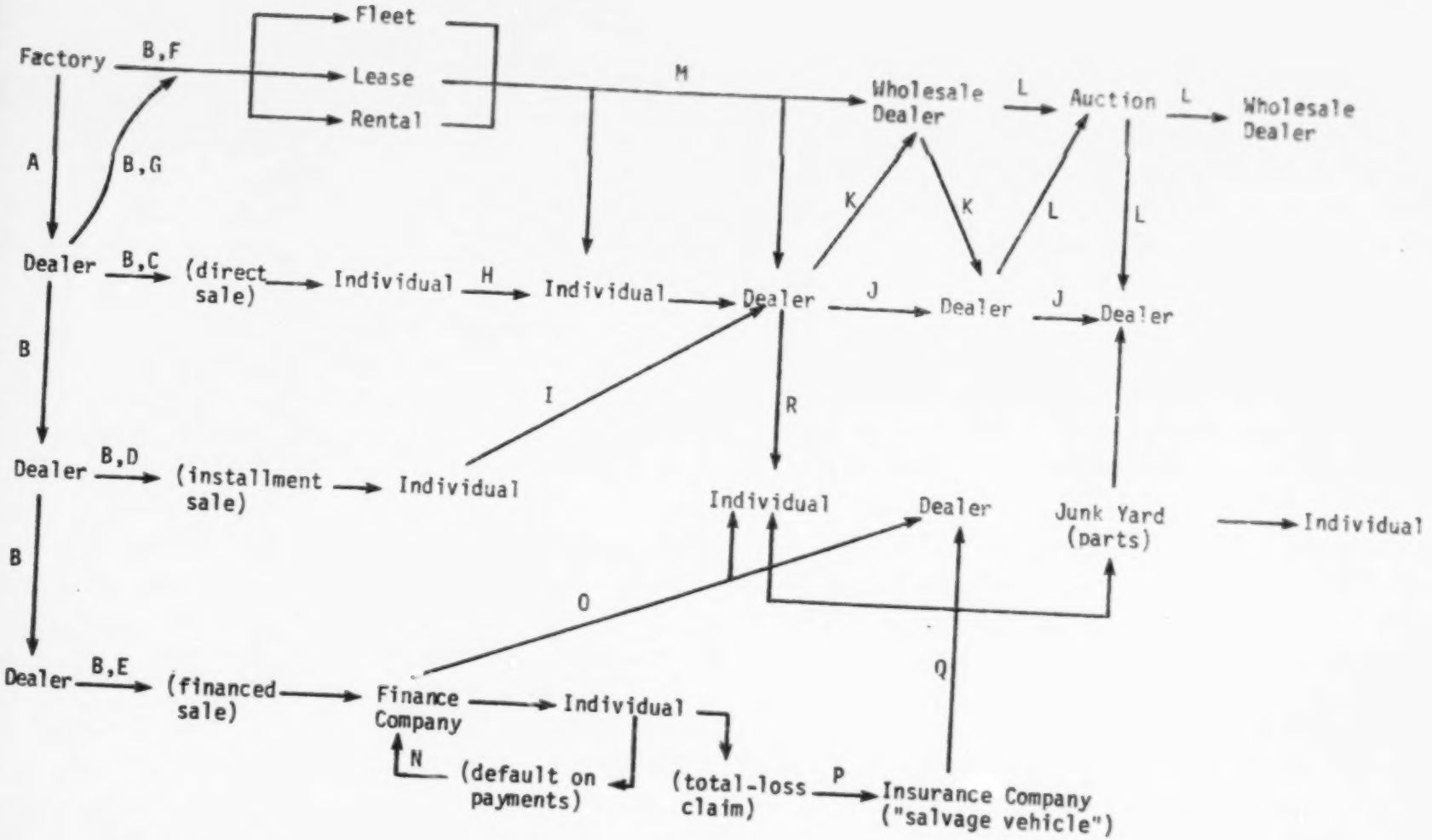

Figure 2.1 Examples of ownership transfers.

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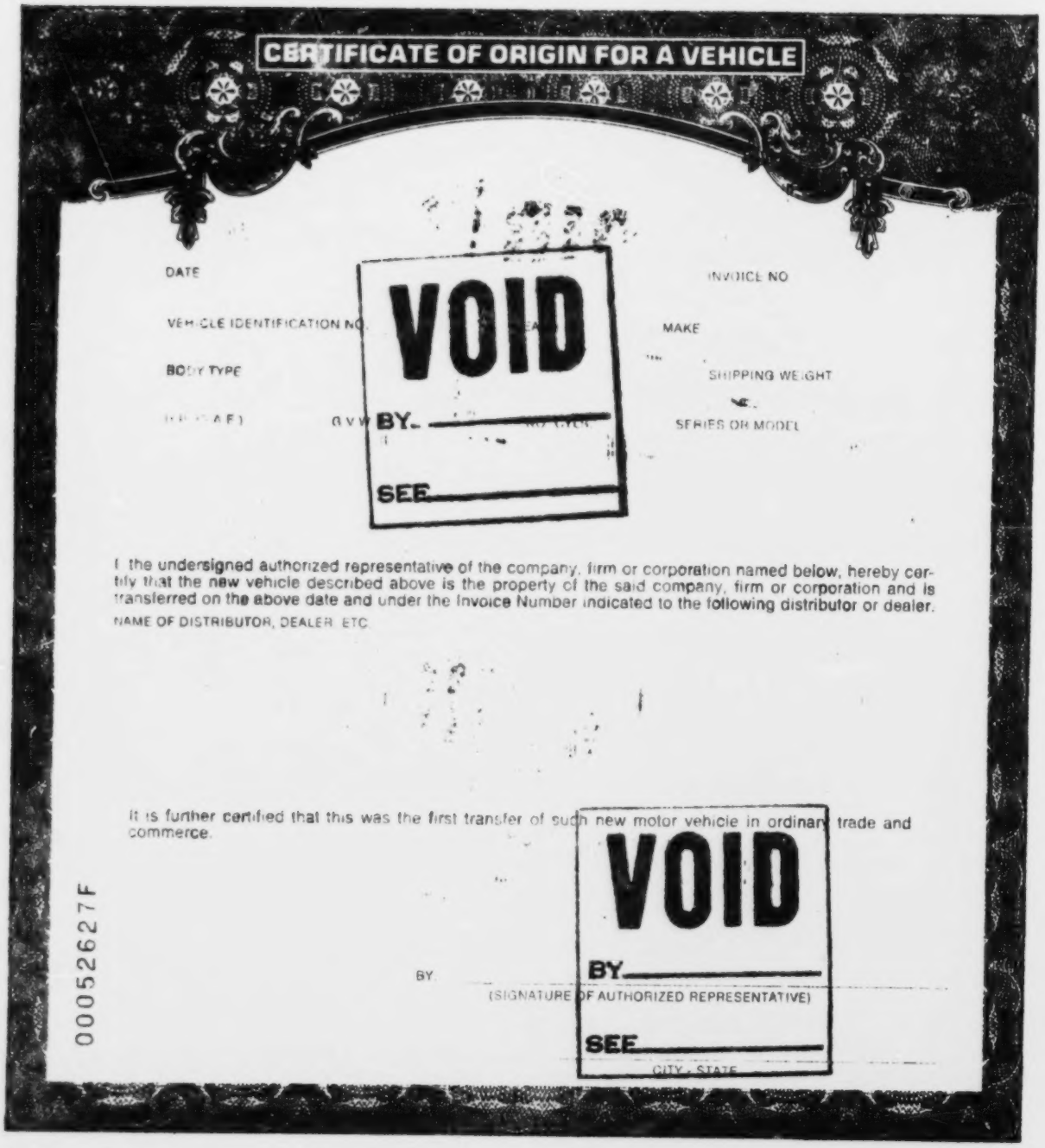

CERTIFICATE OF ORIGIN FOR A VEHICLE

DATE

INVOICE NO

VEHICLE IDENTIFICATION NO.

MAKE

BODY TYPE

SHIPPING WEIGHT

(TRUCK ONLY) G.V.W.

SERIES OR MODEL

VOID
BY
SEE

I the undersigned authorized representative of the company, firm or corporation named below, hereby certify that the new vehicle described above is the property of the said company, firm or corporation and is transferred on the above date and under the Invoice Number indicated to the following distributor or dealer.

NAME OF DISTRIBUTOR, DEALER, ETC.

It is further certified that this was the first transfer of such new motor vehicle in ordinary trade and commerce.

VOID
BY
SEE

BY

(SIGNATURE OF AUTHORIZED REPRESENTATIVE)

CITY, STATE

00052627F

Figure 2.2 Manufacturer's certificate of origin, face.

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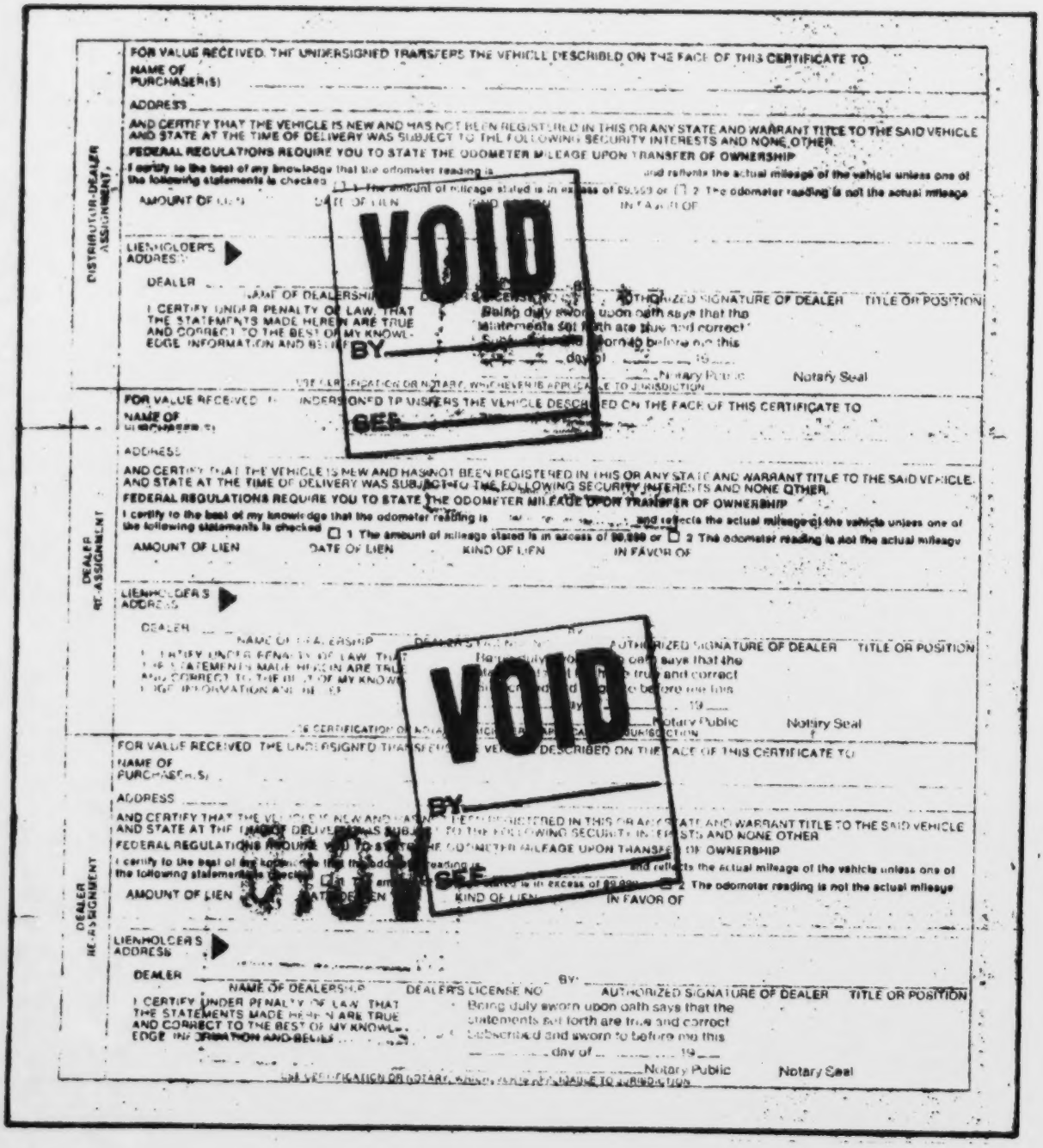

Figure 2.3 Manufacturer's certificate of origin, reverse.

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(see Figure 2.3). The form allows for the Certificate of Origin to be successively transferred to three dealers. When there is no further space on the reverse and there is need for an additional dealer's reassignment form, a separate "Dealer's Reassignment of Title to a Motor Vehicle" form is used. (See Figure 2.4.) If the vehicle is new, there is no need for odometer disclosure statements at each of these transfers.

The individual consumer may agree to purchase a vehicle in one of three general ways: by direct payment (C), by payment to the dealer in installments (D), or by financing through a bank or other financing institution (E). In the case of the direct purchase, a bill of sale is required. Where the purchaser agrees to pay the dealer in installments, a written instrument to this effect is required. In a purchase which is financed, the financing institution becomes the lien-holder until the individual has made all payments. In this case, the financing company holds the title to the vehicle until payments are complete and the lien is satisfied.

When the new vehicle is purchased by an individual (consumer), an application for title is completed and sent to the Division of Motor Vehicles. This form has recently been changed to include the financial responsibility information as well as the description of the vehicle, the owner's name and address, information concerning liens, and details of the purchase. The old application for title is shown as Figure 2.5, and the new application as Figure 2.6. A carbon copy of the upper portion of the new form is returned to the applicant as the registration card.

When the application reaches the Division, it is checked for consistency. Are all spellings of the name the same? Does the Vehicle Identification Number (VIN) on the Manufacturer's Certificate of Origin agree with the VIN on the application form? Does the vehicle description agree on the different forms? Are the fees correct for that class of vehicle? Is the financial responsibility information given? Any apparent alterations or any inconsistencies causes the application to be put in the "suspense file", and letters are sent out for clarification of the questionable sections. When the Certificate of Title is issued, all source documents are microfilmed.

When the indi idual who has purchased the vehicle actually takes possession, the application for title and registration is sent to the Division of Motor Vehicles, as indicated above. The vehicle must have a current inspection certificate affixed to the windshield and a registration plate attached before it is driven on the highway. The dealer is required to have the

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MVR-2
(Rev 8/79)

North Carolina Division of Motor Vehicles

DEALER'S REASSIGNMENT OF TITLE TO A MOTOR VEHICLE

No Fee

To be used by North Carolina licensed dealers to reassign out-of-state assigned certificates of title, non-title state registration certificates and bills of sale and other documents acceptable for obtaining a certificate of title in North Carolina for vehicles acquired by North Carolina dealers. May also be used to reassign manufacturer's certificates of origin and North Carolina certificates of title when the space or spaces provided on these documents for dealer's assignments have been used.
THIS REASSIGNMENT IS NOT VALID AND WILL NOT BE RECOGNIZED OR ACCEPTED UNLESS IT IS ATTACHED TO THE PROPERLY ASSIGNED CERTIFICATE OF TITLE, MANUFACTURER'S CERTIFICATE OF ORIGIN, THE NON-TITLE STATE REGISTRATION CERTIFICATE AND/OR BILLS OF SALE AS REQUIRED.

Year _____ Make _____ Body Style _____ Series Model _____
Vehicle Identification Number _____

Reassignment by Dealer: For value received, the undersigned hereby transfers the vehicle described above to the purchaser(s) whose name(s) appears in this block, and the undersigned hereby warrants the title to said vehicle and certifies that at the time of delivery the same is subject to the following named liens and none other. Odometer statement has been delivered to purchaser as required by Federal and State laws.

Purchaser's name (first, middle and last) | Street or RFD | City | State

Date of lien | Name and address of lienholder

Date of sale

Subscribed and sworn to before me this _____ day of _____ 19 _____.

My commission expires _____

Dealer's name (to agree with license) | Dealer cert. no.

Signature of Notary Public in Ink

SEAL

By: _____
Authorized agent to sign here after entering name of purchaser

Address of Notary Public

Reassignment by Dealer: For value received, the undersigned hereby transfers the vehicle described above to the purchaser(s) whose name(s) appears in this block, and the undersigned hereby warrants the title to said vehicle and certifies that at the time of delivery the same is subject to the following named liens and none other. Odometer statement has been delivered to purchaser as required by Federal and State laws.

Purchaser's name (first, middle and last) | Street or RFD | City | State

Date of lien | Name and address of lienholder

Date of sale

Subscribed and sworn to before me this _____ day of _____ 19 _____.

My commission expires _____

Dealer's name (to agree with license) | Dealer cert. no.

Signature of Notary Public in Ink

SEAL

By: _____
Authorized agent to sign here after entering name of purchaser

Address of Notary Public

Figure 2.4 Dealer's reassignment form.

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MVR-1
(Rev. 11/75)

North Carolina Division of Motor Vehicles

Application for:

License No. _____

☐ Title Only
☐ Title and License
☐ Title and Transfer of N. C. 19____ License No. _____

Title Number _____

Title Fee $2.00 – Transfer of License Fee $2.00

Owner (Print or Type) First Name	Middle Name	Last Name	Check when: ☐ One Name ☐ Initials Only

Residence Address (Individuals) Business Address (Firms)	Post Office	County of Residence	Zip Code

Mail Address including Zip Code (if other than above). If mail not delivered to residence address, so state.

VEHICLE DESCRIPTION

Make	Body Style (Passenger Vehicle)	Body Style (Commercial Vehicle) ☐ Truck ☐ Truck-Tractor ☐ Trailer

Motor Number	Serial or Identification Numbers	Year Model	Series Model	Color

Passenger Capacity	No. Wheels	No. Axles	Distance Between Tandem Axles	Both Tandem Axles Have Brakes ☐ Yes ☐ No

Motor Been Changed ☐ Yes ☐ No	Body Been Changed ☐ Yes ☐ No	Identification Numbers Been Altered ☐ Yes (Attach Explanation) ☐ No	Kind of Fuel

FIRST LIEN

Amount	Kind	Date

Lienholder

Address

SECOND LIEN

Amount	Kind	Date

Lienholder

Address

SOURCE OF PURCHASE

From Whom Purchased (Name and Address) | Dealer CERTIFICATE Number

Date Purchased	Purchased ☐ New ☐ Used	Purchased for use in N. C. ☐ Yes ☐ No	Purchase Price	State of Last Registration

CLASS OF LICENSE

CHECK:

☐ Official	☐ Amateur Radio	☐ Special Mobile Equipment	☐ Leased
☐ National Guard	☐ Taxi	☐ For Hire	☐ Private Passenger
☐ Horseless Carriage	☐ U-Drive-It	☐ Contract Carrier	☐ Private Property Carrying
	☐ Farm	☐ Common Carrier	☐ Exempt For Hire Carrier

Empty Weight, Bus	Empty weight and maximum load of Truck or Truck-Tractor including empty weight of Trailer to be pulled

Date applicant placed vehicle in operation in N. C.	If application for Title Only, explain why License Fee or Transfer of License Fee not due

This is to certify that the Vehicle described hereon is owned by the undersigned, who hereby makes application for a Certificate of Title for said described vehicle, and for that purpose makes oath and says that the information contained in the foregoing statements hereon is true and correct to his best knowledge and belief and that said vehicle is subject to the named liens and none other.

OWNER'S SIGNATURE _____
First Name Middle Name Last Name

To be personally signed by each owner in ink or authorized representative of firms and corporations.

Subscribed and sworn to before me this _____ day of _____

19____. My Commission expires _____

_____
Notary Public

_____
Address

FOR OFFICE USE ONLY

Figure 2.5 Application for title, old form.

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[redacted]

MV-1 (REV. 8/84)

NORTH CAROLINA DIVISION OF MOTOR VEHICLES

TITLE—APPLICATION

THIS SECTION FOR DMV USE ONLY

Date

Valid Thru _____

Title Fee: $3.50 — Transfer of Registration Plate: $2.00

Title Number _____

Year	Make	Body Style	Series Model

Vehicle Identification Number | Type of Fuel

Full Name(s) of Owner(s) (First, Middle, Last) (Print in Ink or Type) | Check When ☐ One Name ☐ Initial Only

Check When ☐ One Name ☐ Initial Only

Residence Address (Individual) Business Address (Firm)

City and State | Zip Code | County

Mail Address (If different from above)

DMV VALIDATION

Validation Sticker No.

Registration Plate No.

License Fee _____ Months $ _____
Registration Fees $ _____
Use Tax $ _____
Penalty (Overweight) $ _____
F.R. Restoration Fee $ _____
Lien Recording Fee $ _____
Acknowledgment Fee $ _____
TOTAL $ _____

Plate Classification

Gross Weight | Annual Fee | Branch No. | Agent

Insurance Certification (Give Full Name of Company) Not Agency or Group | Policy No. or Binder No. or Agents Name | Ins. Cert. Date

Check Appropriate Boxes

☐ Title Only - Vehicle Not In Operation.

☐ Replaced Plate No. _____ ☐ Exchanged Plate No. _____

☐ Registration Plate Transferred - Plate Year _____ Plate No. _____ Sticker No. _____

FIRST LIEN	Date of Lien	SECOND LIEN	Date of Lien
Lienholder		Lienholder	
Address		Address	
City	State / Zip Code	City	State / Zip Code

Date First Operated in N. C.	State of Last Registration	Passenger Capacity	N. C. Dealer No.	Empty Weight	Combined Gross Weight of Truck or Truck-Tractor with Trailer

Purchased ☐ New ☐ Used	Purchase Price	Purchase Date	Purchased For Use in N. C. ☐ Yes ☐ No	From Whom Purchased (Name and Address)

Is This Vehicle Leased? ☐ Yes ☐ No
If Yes, Attach Form 330 or Lease Agreement

Check Box(es) Indicating Change or Alteration of ☐ Motor ☐ Body ☐ Identification No. (Attach Explanation)

CHECK CLASS OF LICENSE

☐ Official	☐ Amateur Radio	☐ Farm	☐ Contract Carrier	☐ Private Passenger
☐ National Guard	☐ Taxi	☐ Special Mobile Equipment	☐ Common Carrier	☐ Private Property Carrying
☐ Horseless Carriage	☐ U-Drive-It	☐ For Hire	☐ Leased	☐ Exempt For Hire Carrier

I (we) am (are) the owner(s) of the vehicle described on this application and request that a North Carolina Certificate of Title be issued. I (we) certify that the information on the application is correct to the best of my (our) knowledge. The vehicle is subject to the liens named and no others. If a registration plate is issued or transferred, I (we) further certify that there has not been a registration plate revocation and that liability insurance is in effect on this vehicle on the date of this application as required by the North Carolina Financial Security Act of 1957.

OWNER'S SIGNATURE: _____
First Name Middle Name Last Name

Application must be signed in ink by each owner or authorized representative of firms or corporations.

ACKNOWLEDGMENT

Subscribed and sworn to before me this _____ day of _____
19 _____

(SEAL)

Notary Public _____
Address _____
My Commission Expires _____

DMV USE ONLY

Figure 2.6 Application for title, new form.

inspection completed in order to permit even a test-drive. The registration plate may be transferred from the owner's previous vehicle, if the two vehicles are of the same license class. If the owner has no previous plate to transfer or if the vehicles are of different classes, then the old plate must be surrendered and a plate for the correct class issued. Such license issuance or application for title and registration may be accomplished by mail through the Division or may be handled locally through commission contract offices.

Yet another type of sale is possible, involving fleets of vehicles, or lease or rental vehicles. In these cases, the sale may be directly from the factory (F) or through a dealer (G). The forms and necessary procedures are the same as for a sale to an individual.

All transfers of ownership following the initial transaction that is accompanied by the Manufacturer's Certificate of Origin involve a "used" vehicle and require an Odometer Disclosure Form in which the seller declares the actual mileage to the purchaser. If the actual mileage is not known, this fact must be stated. The odometer disclosure is supposed to accompany all transfers of used vehicles, whether it be from dealer to dealer, dealer to individual consumer, or individual to individual.

The owner of a vehicle is required to have a Certificate of Title, registration card, registration plate, and current inspection certificate for that vehicle. The registration and inspection must be completed annually. A "staggered registration" scheme was implemented in North Carolina beginning July 1, 1980. At the outset the program affects only newly purchased vehicles and vehicles from out of state. In time, the vehicles presently registered will be brought into the system, and motor vehicle registration will be distributed more or less evenly throughout the year. North Carolina is in the process of changing the Certificate of Title form. At least two forms are currently in use. The earlier form is shown in Figures 2.7 and 2.8 and the newer, smaller, form in Figures 2.9 and 2.10. The major differences between the forms are seen on the reverse. The new form includes the financial responsibility statement and has reduced the number of dealer reassignment sections from two to one.

The North Carolina Title has a space on the face of the certificate to indicate that the vehicle is reconstructed or has had a change of motor or body. In the near future, it is probable that there will also be a code indicating that the vehicle has been a salvage vehicle. As it presently stands, dealers from states which have a code for a salvage vehicle can title their vehicles in

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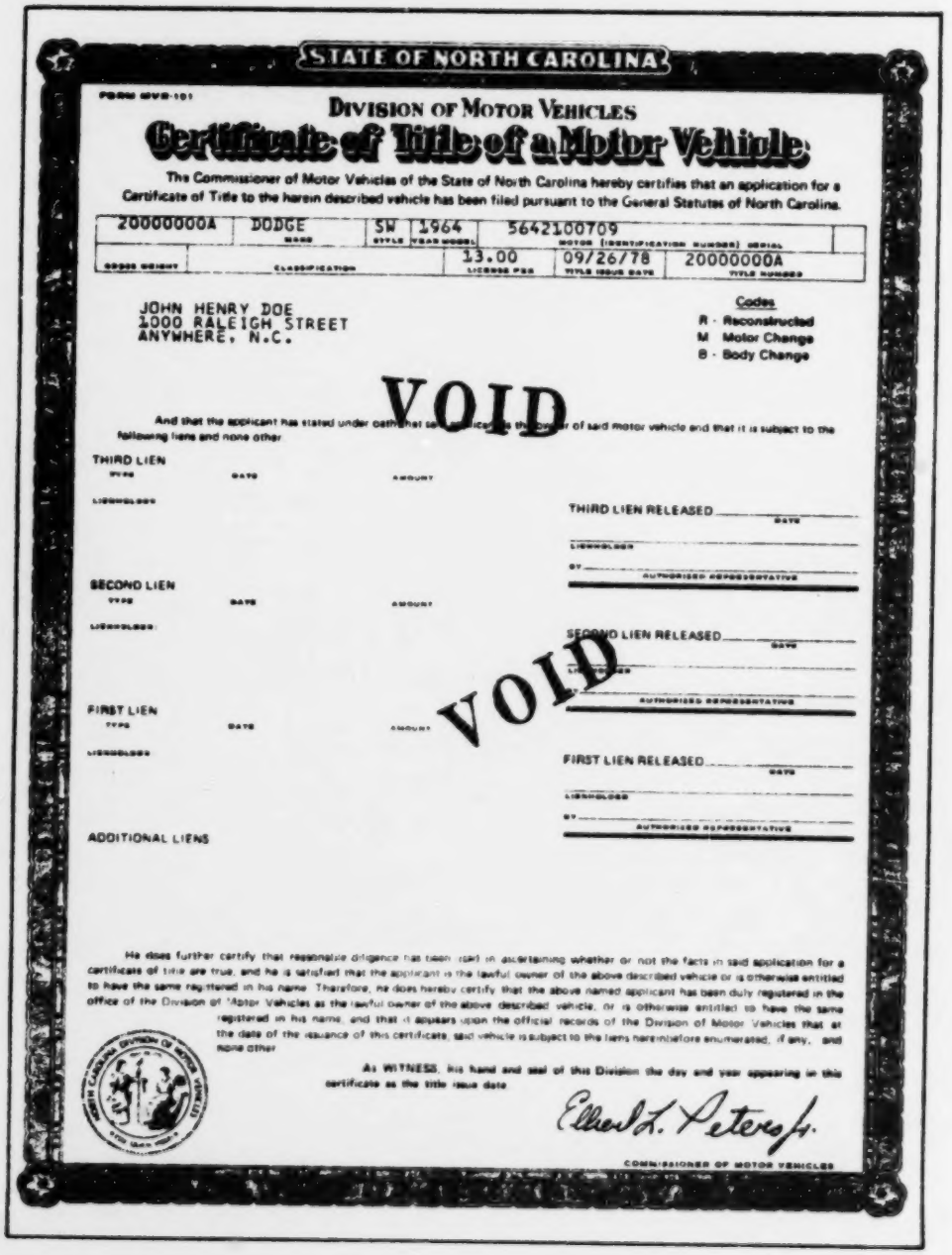

STATE OF NORTH CAROLINA

FORM MVB-101

DIVISION OF MOTOR VEHICLES

Certificate of Title of a Motor Vehicle

The Commissioner of Motor Vehicles of the State of North Carolina hereby certifies that an application for a Certificate of Title to the herein described vehicle has been filed pursuant to the General Statutes of North Carolina.

20000000A	DODGE	SW	1964	5642100709	
GROSS WEIGHT	CLASSIFICATION		13.00	09/26/78	20000000A
			LICENSE FEE	TITLE ISSUE DATE	TITLE NUMBER

MAKE · STYLE · YEAR MODEL · MOTOR (IDENTIFICATION NUMBER) SERIAL

JOHN HENRY DOE
1000 RALEIGH STREET
ANYWHERE, N.C.

Codes
R - Reconstructed
M - Motor Change
B - Body Change

VOID

And that the applicant has stated under oath that said vehicle is the property of said motor vehicle and that it is subject to the following liens and none other

THIRD LIEN
TYPE · DATE · AMOUNT
LIENHOLDER

THIRD LIEN RELEASED ____ DATE
LIENHOLDER
BY ____ AUTHORIZED REPRESENTATIVE

SECOND LIEN
TYPE · DATE · AMOUNT
LIENHOLDER

SECOND LIEN RELEASED ____ DATE
LIENHOLDER
BY ____ AUTHORIZED REPRESENTATIVE

VOID

FIRST LIEN
TYPE · DATE · AMOUNT
LIENHOLDER

FIRST LIEN RELEASED ____ DATE
LIENHOLDER
BY ____ AUTHORIZED REPRESENTATIVE

ADDITIONAL LIENS

He does further certify that reasonable diligence has been used in ascertaining whether or not the facts in said application for a certificate of title are true, and he is satisfied that the applicant is the lawful owner of the above described vehicle or is otherwise entitled to have the same registered in his name. Therefore, he does hereby certify that the above named applicant has been duly registered in the office of the Division of Motor Vehicles as the lawful owner of the above described vehicle, or is otherwise entitled to have the same registered in his name, and that it appears upon the official records of the Division of Motor Vehicles that at the date of the issuance of this certificate, said vehicle is subject to the liens hereinbefore enumerated, if any, and none other

As WITNESS, his hand and seal of this Division the day and year appearing in this certificate as the title issue date

Edward L. Peters Jr.

COMMISSIONER OF MOTOR VEHICLES

Figure 2.7 Certificate of title, old form, face.

(Actual size 8½" x 11")

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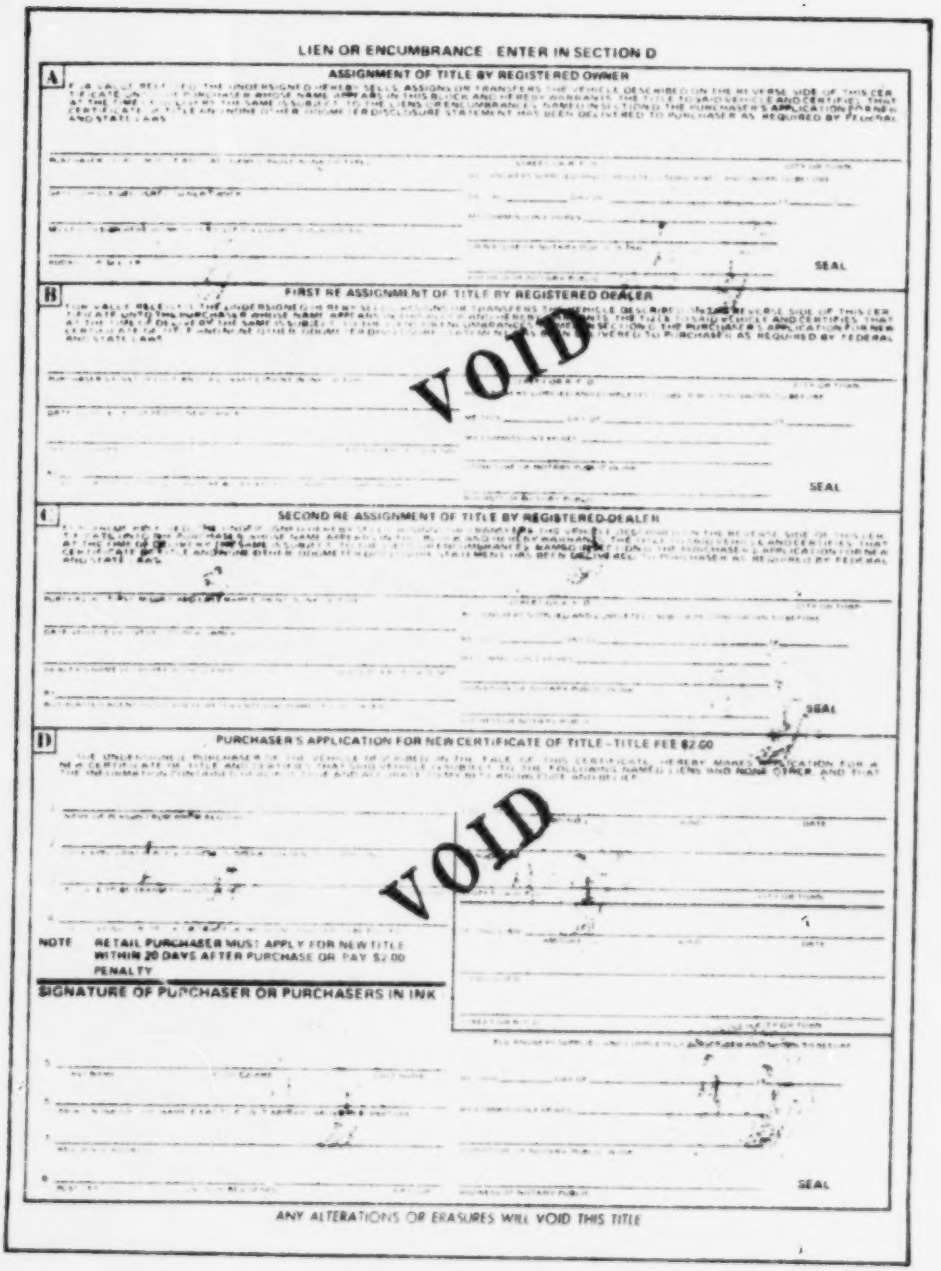
LIEN OR ENCUMBRANCE ENTER IN SECTION D
A
ASSIGNMENT OF TITLE BY REGISTERED OWNER
SEAL
B
FIRST RE ASSIGNMENT OF TITLE BY REGISTERED DEALER
VOID
SEAL
C
SECOND RE ASSIGNMENT OF TITLE BY REGISTERED DEALER
SEAL
D
PURCHASER'S APPLICATION FOR NEW CERTIFICATE OF TITLE - TITLE FEE $2.00
VOID
NOTE RETAIL PURCHASER MUST APPLY FOR NEW TITLE WITHIN 20 DAYS AFTER PURCHASE OR PAY $2.00 PENALTY
SIGNATURE OF PURCHASER OR PURCHASERS IN INK
SEAL
ANY ALTERATIONS OR ERASURES WILL VOID THIS TITLE

Figure 2.8. Certificate of title, old form, reverse.
(Actual size 8½" x 11")

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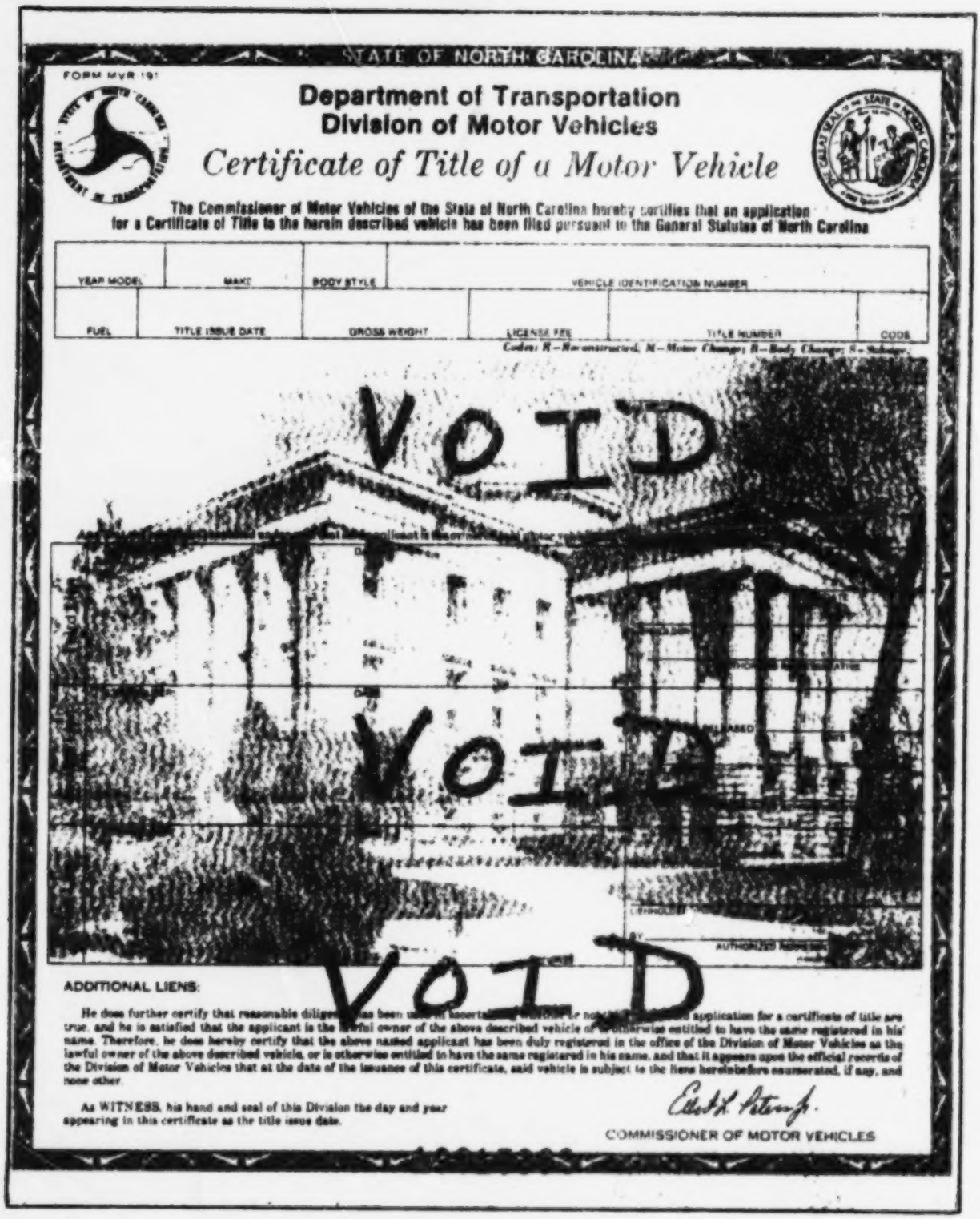
[redacted]



STATE OF NORTH CAROLINA

FORM MVR 191

Department of Transportation
Division of Motor Vehicles

Certificate of Title of a Motor Vehicle

The Commissioner of Motor Vehicles of the State of North Carolina hereby certifies that an application for a Certificate of Title to the herein described vehicle has been filed pursuant to the General Statutes of North Carolina

YEAR MODEL	MAKE	BODY STYLE	VEHICLE IDENTIFICATION NUMBER			
FUEL	TITLE ISSUE DATE	GROSS WEIGHT	LICENSE FEE	TITLE NUMBER		CODE

Codes: R—Reconstructed, M—Motor Changed, B—Body Changed, S—Salvage

VOID

VOID

VOID

ADDITIONAL LIENS:

He does further certify that reasonable diligence has been used in ascertaining whether or not the statements in the application for a certificate of title are true, and he is satisfied that the applicant is the lawful owner of the above described vehicle or otherwise entitled to have the same registered in his name. Therefore, he does hereby certify that the above named applicant has been duly registered in the office of the Division of Motor Vehicles as the lawful owner of the above described vehicle, or is otherwise entitled to have the same registered in his name, and that it appears upon the official records of the Division of Motor Vehicles that at the date of the issuance of this certificate, said vehicle is subject to the liens hereinbefore enumerated, if any, and none other.

As WITNESS, his hand and seal of this Division the day and year appearing in this certificate as the title issue date.

COMMISSIONER OF MOTOR VEHICLES

Figure 2.9. Certificate of title, new form, face.

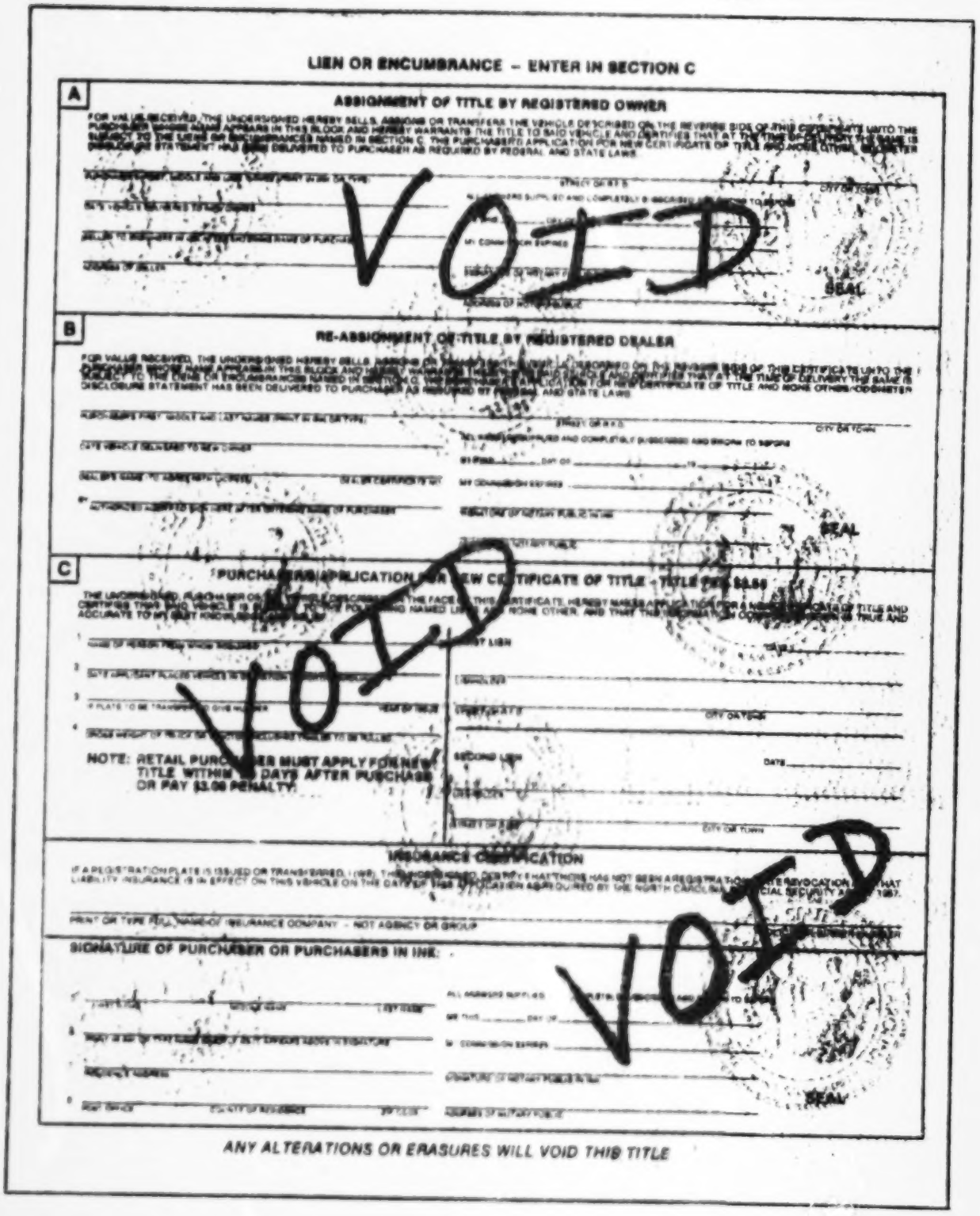


Figure 2.10. Certificate of title, new form, reverse.

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North Carolina and thus lose the indication of salvage. When the vehicle is subsequently titled in the first state again, evidence of prior salvage status is lost.

North Carolina's titles have a suffixed letter on the title number for each ownership after the first. The second owner's title number ends with "A", the third with "B", and so on. Although this is helpful information for a purchaser, note that a dealer need not apply for a title and therefore no dealer-to-dealer transactions show up as suffixes to the title number.

When an individual sells (or trades) a vehicle to another individual (H) or to a dealer (I), the owner completes the "Assignment of Title by Registered Owner" on the reverse of the title. This statement must be notarized. If the new owner is an individual, the title section "Purchaser's Application for New Certificate of Title (see Figures 2.8 and 2.10) is completed and the form submitted to the Division for a new Certificate of Title. If the vehicle is transferred to a dealer, the dealer need not apply for a title but may hold the assigned title until selling the vehicle to an individual (R). At this time, the dealer completes a "Reassignment of Title by Registered Dealer" on the reverse of the title. If the vehicle is successively transferred from dealer to dealer until all the dealer reassignment sections are filled, further dealer reassignments are made on a separate "Dealer Reassignment Form" (see Figure 2.4) and attached to the title.

There is no distinction between vehicle transfers involving a wholesale dealer (K) or a retail dealer (J). The paper work is the same, using the dealer reassignment form for a sale or transfer and providing an Odometer Disclosure Statement to the new owner.

It is possible, particularly between dealers, that a vehicle will pass through an auction (L). The auction is often only an intermediary between seller and buyer, and the vehicle acquires a bill of sale from the auction which describes the vehicle and the seller and buyer. Occasionally, it appears that the auction purchases the vehicle for re-sale (see Figure 2.11).

Vehicles which have belonged to a company fleet or vehicles leased or rented do not differ from others in terms of requirements for transfer of ownership (M). An Odometer Disclosure Form is provided and the owner's assignment of title is completed. These vehicles may be sold to individuals, to retail dealers or to wholesale dealers.

If an individual who has financed the purchase of either a new or used vehicle is unable to make the required payments, the company (technically the

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CLANTON'S Auto Auction Sales, Inc

ORIGINAL

BILL OF SALE

No. A 02523

It is stipulated by parties signing hereto and by persons or corporations accepting this instrument that this transaction is at wholesale and that Clanton's Auto Auction Sales, Inc., has purchased this vehicle for resale at wholesale only.

DATE MO	DAY	YEAR	SALES NO	YEAR	MAKE	MODEL	SERIAL NUMBER
11	1	79	76	77	Chev.	Caprice Classic	1N69U7S 268 422

SOLD TO: CLANTON'S AUTO AUCTION SALES, INC., DARLINGTON, S. C. 29532

I represent and warrant that I am the sole owner of the above described motor vehicle and that the same is free of all liens and encumbrances, and that I will hold the above transferee harmless against all lawful claims and demands of all persons whomsoever. I also agree that PROPER TITLES MUST BE ATTACHED to the above mentioned price. I am a licensed dealer in the

State of SC., License No. 3520.

◆ Littles Auto Sales
Easley, S. C.

By Barry W. Little
SELLER

SOLD TO:

Apple Tree Chevolet, Inc. Asheville, N, C.

ODOMETER READING
38,757

I represent and warrant that I am the sole owner of the above described motor vehicle and that the same is free of all liens and encumbrances, and that I will hold the above transferee harmless against all lawful claims and demands of all persons whomsoever. I further reserve the right to withhold all auction fees and charges from the above mentioned price.

CLANTON'S AUTO AUCTION SALES, INC.
DARLINGTON, S. C. 29532

By D W Clanton
SELLER

I, the undersigned Notary Public for the State of South Carolina, do hereby certify that the above named Seller, and the above named Purchaser, personally appeared before me this day and acknowledged the due execution of the foregoing instrument as their free act and deed.

Witness My Hand and Official Seal the day and date above written.

Janice D. Johnson (SEAL)
Notary Public for South Carolina
My Commission expires 6-20-88

Figure 2.11. Auction bill of sale, vehicle auction-owned.

lien-holder and the holder of the title) may repossess the vehicle (N). This repossession must be attested to and the certificate of repossession (see Figure 2.12) must accompany the assigned certificate of title when the company sells the vehicle (O). At this time, as always, an odometer disclosure statement is provided by the seller to the buyer.

Still another type of transfer of ownership may occur when a vehicle is declared a total loss in an accident or by theft (P). In such a situation, the insurance company becomes the owner of the vehicle by payment of the claim. The previous owner must complete the assignment of title on the reverse of the current certificate, and the insurance company must submit the certificate to the Division within ten days. A vehicle on which an insurance company has paid a total-loss claim is known as a "salvage" vehicle. When the Division has received the title to a salvage vehicle from the insurance company concerned, the Division sends the insurance company a "Notice of Receipt of Title to a Salvage Vehicle" (see Figures 2.13 and 2.14). This form is similar to a certificate of title, with vehicle description, owner's name and reassignment forms for use when the salvage vehicle is sold (Q). The reverse of the form allows for the possibility of rebuilding the salvage vehicle and contains a safety inspection section. If the rebuilt salvage vehicle passes inspection, then this form is submitted to the Division with an application for title. As indicated earlier, when such a title is issued there presently is no indication of the fact that the vehicle once was a salvage vehicle.

These are the major types of ownership transfers in North Carolina with a discussion of the forms involved in each. No one vehicle is likely to pass through all of these types of transfer, and Figure 2.1 is merely intended to show examples of the range of possibilities.

Any one of these transactions may take place across the state line, either entering or leaving North Carolina. North Carolina does not impose any different rules on such interstate transfers, although an individual bringing a vehicle into this state may meet some delay in issuance of a certificate of title if the "foreign" title has a lien or if the vehicle's owner is not insured as required by this state. When a vehicle which is titled in another state is brought into North Carolina, the former title is one of the major source documents supporting the application for North Carolina title. When this title is received by the Division, it is microfilmed and then returned to its state of origin.

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MVR-3 (Rev. 8/79)

NORTH CAROLINA DIVISION OF MOTOR VEHICLES

CERTIFICATION OF REPOSSESSION

This is to certify that the undersigned has repossessed the motor vehicle described because of the failure of the former owner to meet his obligation in the matter of settlement of the lien described on the face of the attached certificate of title. No suit is now pending in court concerning this repossession. I/we hereby warrant title to this described vehicle to be free from all indebtedness and agree to defend it against all claims.

NAME OF DEFAULTING OWNER				
ADDRESS OF DEFAULTING OWNER	STREET ADDRESS (NUMBER AND STREET OR R. F. D. AND BOX NUMBER)			
	CITY	STATE	ZIP CODE	COUNTY
SECURITY INTEREST	DATE OF LIEN	DATE OF REPOSSESSION	STATE ISSUED	
	NAME OF SECURED PARTY			
	ADDRESS OF SECURED PARTY			
YEAR	MAKE	BODY STYLE	SERIES MODEL	
TITLE NUMBER		VEHICLE IDENTIFICATION NUMBER		

North Carolina General Statute 20-77 (a) provides that whenever the title or interest of an owner in or to a vehicle shall pass to another by operation of law, as upon order in bankruptcy, execution sale, repossession upon default in performing the terms of a lease or executory sales contract, or otherwise than by voluntary transfer, the transferee shall secure a new certificate of title upon proper application, payment of the fees provided by law, and presentation of the last certificate of title, if available, and such instruments or documents of authority or certified copies thereof as may be sufficient or required by law to evidence or effect a transfer of interest in or to chattels in such cases.

Subscribed and sworn to before me this _____
day of _____ 19 _____.
My commission expires _____.

(SEAL)

_____ NAME OF SECURED PARTY

_____ NOTARY PUBLIC

By: _____ AUTHORIZED REPRESENTATIVE

_____ ADDRESS

NORTH CAROLINA

Figure 2.12. Certificate of repossession.

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SAMPLE

MVR-40
(Rev. 6/75)

NORTH CAROLINA DIVISION OF MOTOR VEHICLES
RALEIGH, N. C.

NOTICE OF RECEIPT OF TITLE TO A SALVAGE VEHICLE

G. S. 20-109.1 requires that any person acquiring or having possession of any salvage vehicle, purchased in those states that do not require the surrender of titles to salvage vehicles shall within ten (10) days following delivery of the vehicle and title forward to the Division the certificate of title or comparable ownership document issued by the jurisdiction wherein the vehicle was last registered with properly executed assignments and reassignments of such title or ownership document. The same statute requires that when any insurance company acquires title to and obtains possession of a vehicle in settlement of a total loss under the provisions of comprehensive and collision insurance, the insurance company is to forward to the Division within ten (10) days after payment of total loss claim the certificate of title or comparable ownership document issued by the jurisdiction wherein the vehicle was last registered. This applies if the salvage vehicle was registered in North Carolina or if the loss or damage occurred in North Carolina, or if the sale of the salvage takes place in North Carolina. The Certificate of Title or comparable ownership document shall be properly assigned to the insurance company by the vehicle owner.

Title Number	State of Issue	Make	Body Style	Year Model	Serial Number	Date Received

Owner's Name _____

Owner's Address _____

Ownership of the above described vehicle may be transferred by completing one of the assignment sections below:

A — ASSIGNMENT OF OWNERSHIP OF A SALVAGE VEHICLE

For value received, the undersigned hereby transfers ownership and delivers the above described vehicle to the purchaser whose name appears in this section and hereby warrants ownership to said vehicle and certifies that the vehicle is free of all liens or encumbrances.

PURCHASER'S FIRST, MIDDLE AND LAST NAMES *(Print in ink or type)* STREET OR F.R.D. CITY OR TOWN

SELLER TO SIGN HERE IN INK AFTER ENTERING NAME OF PURCHASER

ADDRESS OF SELLER

All answers supplied and completely subscribed and sworn to before me this _____ day of _____ 19 ____

My commission expires _____

SIGNATURE OF NOTARY IN INK

ADDRESS OF NOTARY PUBLIC (SEAL)

B — ASSIGNMENT OF OWNERSHIP OF A SALVAGE VEHICLE

For value received, the undersigned hereby transfers ownership and delivers the above described vehicle to the purchaser whose name appears in this section and hereby warrants ownership to said vehicle and certifies that the vehicle is free of all liens or encumbrances.

PURCHASER'S FIRST, MIDDLE AND LAST NAMES *(print in ink or type)* STREET OR R.F.D. CITY OR TOWN

DATE VEHICLE DELIVERED TO NEW OWNER

SELLER TO SIGN HERE IN INK AFTER ENTERING NAME OF PURCHASER

ADDRESS OF SELLER

All answers supplied and completely subscribed and sworn to before me this _____ day of _____ 19 ____

My commission expires _____

SIGNATURE OF NOTARY IN INK

ADDRESS OF NOTARY PUBLIC (SEAL)

C — ASSIGNMENT OF OWNERSHIP OF A SALVAGE VEHICLE

For value received, the undersigned hereby transfers ownership and delivers the above described vehicle to the purchaser whose name appears in this section and hereby warrants ownership to said vehicle and certifies that the vehicle is free of all liens or encumbrances.

PURCHASER'S FIRST, MIDDLE AND LAST NAMES *(print in ink or type)* STREET OR R.F.D. CITY OR TOWN

DATE VEHICLE DELIVERED TO NEW OWNER

SELLER TO SIGN HERE IN INK AFTER ENTERING NAME OF PURCHASER

ADDRESS OF SELLER

All answers supplied and completely subscribed and sworn to before me this _____ day of _____ 19 ____

My commission expires _____

SIGNATURE OF NOTARY IN INK

ADDRESS OF NOTARY PUBLIC (SEAL)

MVR-40
(Rev. 6/75)

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[redacted]

SAMPLE

No person shall operate a salvage vehicle prior to compliance with the Division requirements prerequisite to application for reissuance of title except when operated by or at the direction of the commissioner or his designee. A rebuilt salvage vehicle may be operated following completion of the required examination and certification provided the operation shall be in compliance with those provisions applicable to operation, financial responsibility, registration, and safety inspection of motor vehicles.

Before application for reinstatement of title can be made, the vehicle must be inspected by an agent of the Division. You should contact your local vehicle inspector.

CERTIFICATION OF INSPECTION

Public VIN _____

Secondary VIN _____

Motor Number _____

Transmission Number _____

Have any vehicle identification numbers been altered? _____. If yes, explain.

_____

_____

Major components replaced _____

_____

Does applicant have bill of sale for major components replaced? _____. If no, explain.

_____

_____

Should a special vehicle identification number be assigned this vehicle? _____ If yes, advise disposition of public vehicle identification number plate.

I, an agent of North Carolina Division of Motor Vehicles, do hereby certify that I have inspected the above vehicle and the information contained herein is correct.

_____ DATE

_____ (SIGNATURE OF AGENT)

_____ STATION _____ INSPECTOR'S NUMBER

Upon certification being completed this form accompanied by Form MVR-1 (application for certificate of title), $2.00 title fee, use tax and license fee, if due, must be forwarded to the Division of Motor Vhehicles, Vehicle Services, Raleigh, North Carolina 27611, or submitted to one of the local branch offices for approval.

Figure 2.14. Notice of receipt of title to salvage vehicle, reverse.

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[redacted]

Finally, transport of a vehicle to a dealer (from the factory, port of entry, or another dealer), may occur in one of three ways: by rail, by transporter, or by being driven on the highway. Each of these modes of transport has its required operation permit and the vehicle must be accompanied by the Manufacturer's Certificate of Origin or the state's Certificate of Title, whichever is appropriate. If the vehicle is driven, then a certificate of inspection and a registration plate are also required.

Existing Odometer Records in North Carolina

As already noted, both North Carolina and federal law require odometer disclosure when ownership of a used motor vehicle is transferred, whether from dealer to dealer, dealer to individual, or individual to individual. The disclosure statement employed by North Carolina is shown in Figure 2.15. This is a dual form, with the original going to the purchaser and the copy staying with the seller. If either the seller or the purchaser is a dealer, state law requires him to retain his copy of the form for five years. At no point is the captured odometer information forwarded to a central state office. However, dealers' records are now open to inspection by authorized individuals of the Division of Motor Vehicles.

It is likely that where at least one of the parties is a dealer, the odometer disclosure statement is completed and retained as required by law. When a transfer of ownership occurs between private individuals, it is much less likely that this or any other type of odometer disclosure is made; and even when such odometer disclosure is made there is no law or regulation requiring individuals to retain such odometer statements.

There is only one other situation in North Carolina requiring the recording of odometer mileage. This involves the annual motor vehicle safety inspection, during which the inspector records the present mileage on the Receipt and Statement of Vehicle Inspection (see Figure 2.16) and on the windshield sticker which gives visible evidence of having passed the inspection (see Figures 2.17 and 2.18). Although at present the inspection receipt requests both the present odometer reading and the reading from the inspection sticker recorded at the time of previous inspection, new inspection receipts will only contain the present odometer mileage. One copy of the inspection receipt is given to the driver of the car, and the inspection station retains the other copy for a required 18 months.

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DISCLOSURE FORM

Odometer Mileage Statement

This form must be completed by a person transferring a motor vehicle and must be delivered to the transferee prior to execution of any transfer of ownership document.

An inaccurate statement on this form may result in civil liability in a minimum amount of $1,500 plus attorney fees and cost, pursuant to section 409(a) of the Federal Motor Vehicle Information and Cost Savings Act of 1972, Public Law 92-513, or Article 15 of Chapter 20 of the North Carolina General Statutes. Wilful failure to comply with the law constitutes a criminal offense under the law of North Carolina.

MAKE	BODY TYPE	YEAR MODEL	SERIES MODEL	COLOR(S)

NUMBER OF CYLINDERS	VEHICLE IDENTIFICATION NUMBER	LAST PLATE STATE YEAR NUMBER	DATE OF TRANSFER

The mileage appearing on the odometer of the motor vehicle described above at the time of transfer to _____ is _____ miles (enter cumulative miles if over 100,000 _____ and (check applicable block)

[ ] Is accurate to the best of my knowledge and belief.
[ ] Differs from the odometer reading for reasons other than calibration error and the actual mileage is unknown.

If I know of any alteration of the odometer reading, I have described each alteration below:

Date of Alteration Person Making Alteration Number of Miles Removed

_____

_____

Seller's Name: _____
TYPED OR PRINTED

Seller's Address: _____

City _____ State _____ Zip _____

Seller's Signature: _____

_____
DATE OF THIS STATEMENT

I, _____ (transferee), hereby certify that I received a copy of the above odometer mileage statement.

WHITE - Transferee (Buyer) / YELLOW - Transferor (Seller)

Figure 2.15. North Carolina odometer disclosure form.

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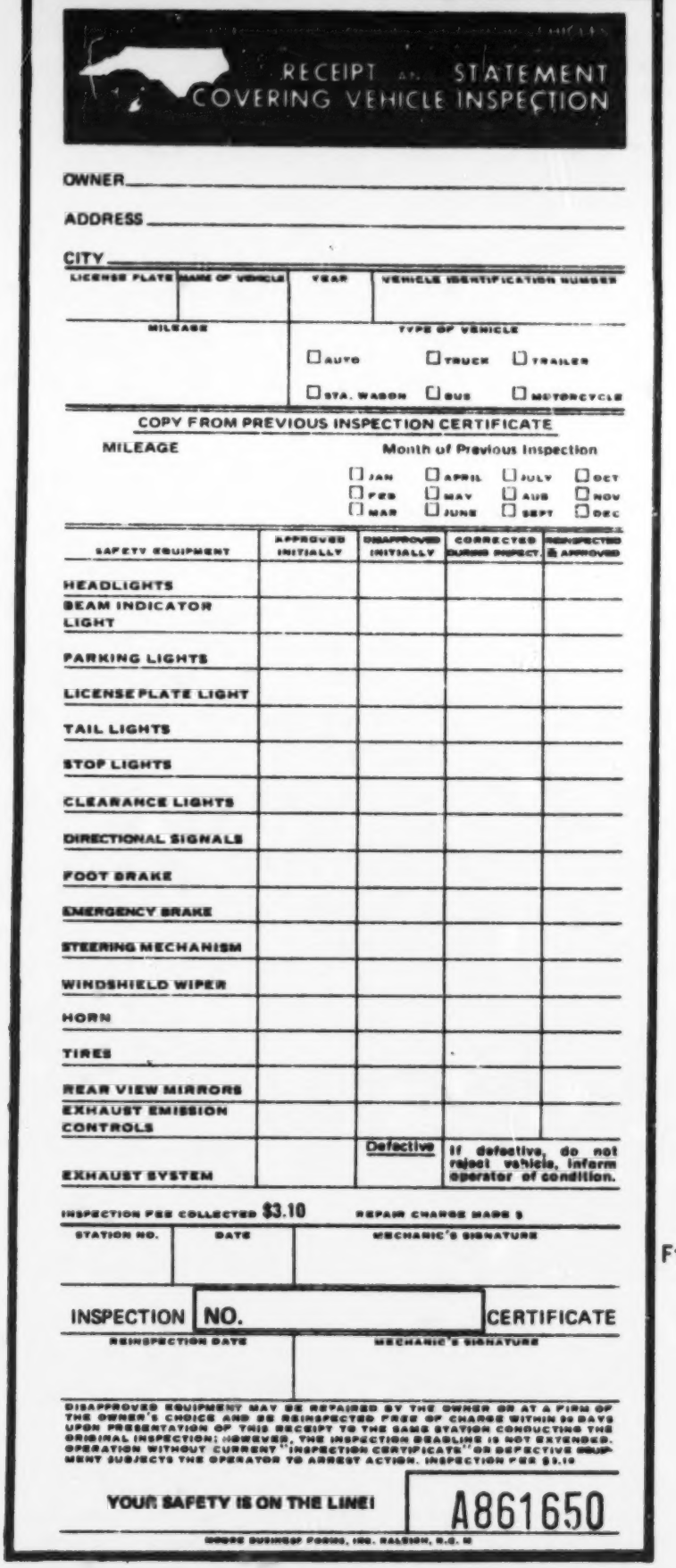

RECEIPT AND STATEMENT
COVERING VEHICLE INSPECTION

OWNER _____

ADDRESS _____

CITY _____

LICENSE PLATE	NAME OF VEHICLE	YEAR	VEHICLE IDENTIFICATION NUMBER

MILEAGE

TYPE OF VEHICLE

☐ AUTO ☐ TRUCK ☐ TRAILER

☐ STA. WAGON ☐ BUS ☐ MOTORCYCLE

COPY FROM PREVIOUS INSPECTION CERTIFICATE

MILEAGE

Month of Previous Inspection

☐ JAN ☐ APRIL ☐ JULY ☐ OCT
☐ FEB ☐ MAY ☐ AUG ☐ NOV
☐ MAR ☐ JUNE ☐ SEPT ☐ DEC

SAFETY EQUIPMENT	APPROVED INITIALLY	DISAPPROVED INITIALLY	CORRECTED DURING INSPECT.	REINSPECTED & APPROVED
HEADLIGHTS				
BEAM INDICATOR LIGHT				
PARKING LIGHTS				
LICENSE PLATE LIGHT				
TAIL LIGHTS				
STOP LIGHTS				
CLEARANCE LIGHTS				
DIRECTIONAL SIGNALS				
FOOT BRAKE				
EMERGENCY BRAKE				
STEERING MECHANISM				
WINDSHIELD WIPER				
HORN				
TIRES				
REAR VIEW MIRRORS				
EXHAUST EMISSION CONTROLS				
EXHAUST SYSTEM		Defective	If defective, do not reject vehicle, inform operator of condition.	

INSPECTION FEE COLLECTED $3.10 REPAIR CHARGE MADE $

STATION NO.	DATE	MECHANIC'S SIGNATURE

INSPECTION NO. CERTIFICATE

REINSPECTION DATE MECHANIC'S SIGNATURE

DISAPPROVED EQUIPMENT MAY BE REPAIRED BY THE OWNER OR AT A FIRM OF THE OWNER'S CHOICE AND BE REINSPECTED FREE OF CHARGE WITHIN 30 DAYS UPON PRESENTATION OF THIS RECEIPT TO THE SAME STATION CONDUCTING THE ORIGINAL INSPECTION; HOWEVER, THE INSPECTION DEADLINE IS NOT EXTENDED. OPERATION WITHOUT CURRENT "INSPECTION CERTIFICATE" OR DEFECTIVE EQUIPMENT SUBJECTS THE OPERATOR TO ARREST ACTION. INSPECTION FEE $3.10

YOUR SAFETY IS ON THE LINE!

A861650

BOOKS BUSINESS FORMS, INC. RALEIGH, N.C.

Figure 2.16. North Carolina motor vehicle inspection receipt.

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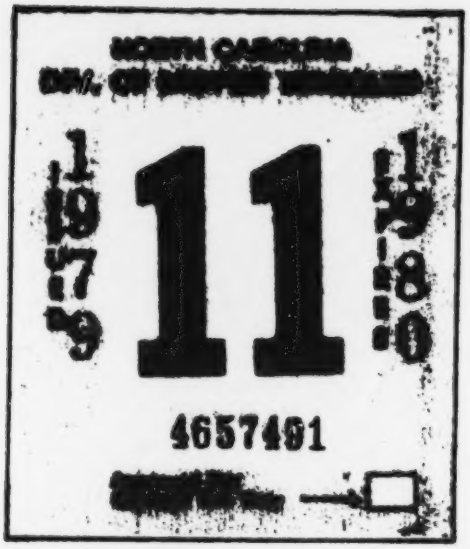

Figure 2.17. North Carolina Inspection sticker. The number of the month of inspection appears in the center when affixed to a windshield. (This side faces the highway).

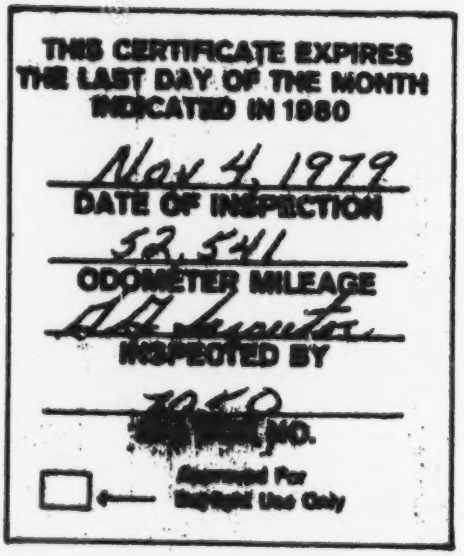

Figure 2.18. North Carolina Inspection sticker. (This side faces on the inside of the car.

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Like the odometer disclosure statements, inspection receipts are not routinely forwarded to any central state office. They have, in the past, been collected on a limited basis for specific research projects, but for the most part they reside at any of the nearly 7,000 motor vehicle inspection stations across the state.

In summary, this chapter has described North Carolina vehicle title and registration procedures and its program of periodic motor vehicle inspection. The recommendations that follow for developing a statewide odometer enforcement support system will include elements in each of these areas. Although North Carolina is regarded as fairly typical in its title and registration procedures, requirements levied by other states will certainly vary. An understanding of one's own state practices is a necessary prerequisite to developing a broad-based system to counteract odometer fraud.

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CHAPTER 3. PROPOSED SYSTEM FOR CAPTURE OF ODOMETER READINGS

The federal odometer law requires that correct odometer readings be disclosed when motor vehicle ownerships are transferred. In many states the odometer disclosure is included on the title to the motor vehicle; also many states have title as well as registration information included in a computerized system.

Using these ingredients as a starting point, a statewide system for capturing odometer readings could be developed along the lines outlined in Figure 3.1. Information on the odometer readings of a particular vehicle would be available to the system from three sources: in-state title transfers, out-of-state title transfers, and motor vehicle registrations. Each of these is further discussed in the sections that follow.

In-State Title Transfers

Each time transfer of ownership of a vehicle occurs within a state, odometer disclosure information could be input to the system either through the title document itself, or through the application for title. Having the odometer disclosure information on the title document or application for title assures that disclosure will be made at all levels of vehicle transfer, including sales between private individuals. It also guarantees that odometer information will be forwarded to a central location, namely the state Department of Motor Vehicles. Currently in North Carolina, for example, odometer disclosure is made on a separate form, and by law this form is retained only by the individual dealers for a period of five years.

In addition to capturing odometer information on the title document or application for title, the system would also require that odometer disclosures be included on all dealer reassignment forms. More specifically, using North Carolina as an example, a full (or modified) odometer disclosure statement could be included on the following documents:

a) Title Application (MVR-1)
b) Certificate of Title (MVR-191)
c) Dealer Reassignment Form (MVR-2)
d) Application for Duplicate Title (MVR-4)

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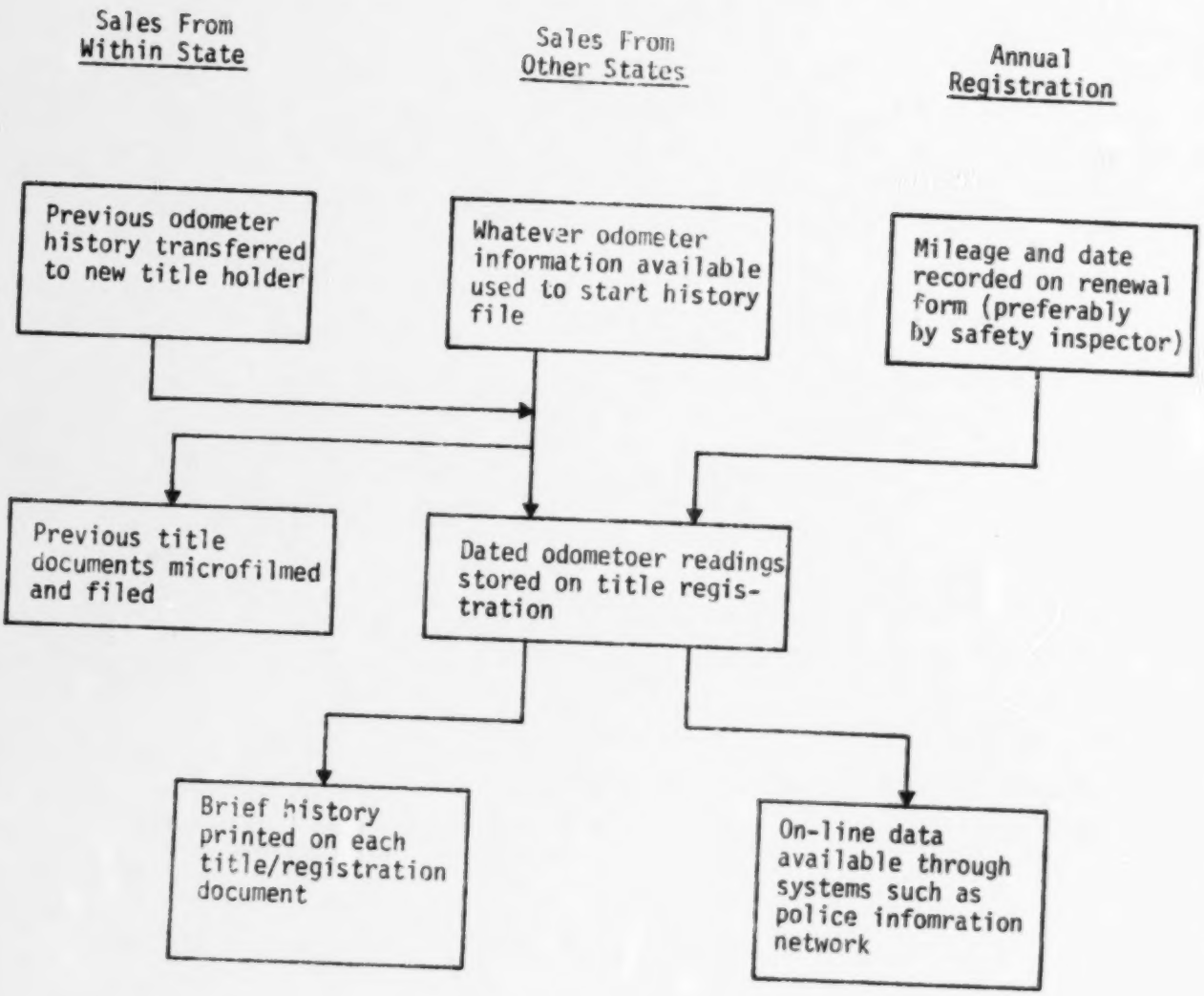
Sales From Within State
Sales From Other States
Annual Registration
Previous odometer history transferred to new title holder
Whatever odometer information available used to start history file
Mileage and date recorded on renewal form (preferably by safety inspector)
Previous title documents microfilmed and filed
Dated odometoer readings stored on title registration
Brief history printed on each title/registration document
On-line data available through systems such as police infomration network

Figure 3.1. Odometer history system.

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e) Application for Correction or Substitute Title (MVR-5)
f) Receipt of Title to a Salvage Vehicle (MVR-40)

Figures 3.2 and 3.3 show, for example, how the North Carolina Title Application form and Certificate of Title might be modified to include current odometer readings.

Along with the odometer reading, other potentially useful information might include the name and address of the owner, the date and location of the transfer, information on use of the vehicle (e.g., personal transportation, commercial use such as taxicab, lease car, etc.), and an indicator if the vehicle has been salvaged.

Ideally all of this information would be stored by a (computerized) system and accumulated over time as further ownership transfers occur. If a vehicle is sold by a state-licensed dealer, the dealer license number (which generally must appear on the title reassignment form) should also become a part of the computerized transaction record. Odometer readings from any dealer reassignments would be entered into the system when application for a new title is made.

Any missing or apparently erroneous odometer information would trigger an investigation before a new title would be issued. (This procedure is currently followed in North Carolina with regard to the other information required on the Certificate of Title.) For example, if the odometer reading on an application for title is lower than the reading contained on the current title, or if a more recent dealer reassignment form reading is lower than an earlier reassignment reading, then further investigation would be warranted. In this case, the new owner should be notified of the discrepancy and informed as to what damages he may recover if odometer tampering was involved. Similar action might be taken if an odometer reading is found to be missing or clearly erroneous.

If such a completely automated and verified system proves to be too costly, less expensive but still useful systems could result from a) not requiring title applications to be suspended because of missing or incorrect odometer information, and/or b) not entering the odometer information into the computerized system. Thus, under a), computerized histories of odometer readings at the time of ownership transfers would still be available, though some completeness and accuracy would be lost. Under b), odometer histories could not be obtained automatically, but the odometer information would be available on official documents at a central location within the state.

MVR-1 (REV. 5/80)

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NORTH CAROLINA DIVISION OF MOTOR VEHICLES

TITLE - APPLICATION

Valid Thru

Title Fee: $3.50 - Transfer of Registration Plate $2.00

Use | Body Style | Series Model

Vehicle Identification Number | Type of Fuel

Full Name(s) of Owner(s) (First, Middle, Last) (Print in Ink or Type) | Check Joint: [ ] Joint Owners [ ] Initial Only

Check Joint: [ ] Joint Owners [ ] Initial Only

Residence Address (Individual) Business Address (Firm)

City and State | Zip Code | County

Mail Address (If different from above)

THIS SECTION FOR DMV USE ONLY

Date

Title Number

DMV VALIDATION

License Fee (Months) $

Registration Fees $

Use Tax $

Penalty (Overweight) $

F.R. Restoration Fee $

Lien Recording Fee $

Acknowledgment Fee $

TOTAL $

Validation Sticker No.

Registration Plate No.

Plate Classification

Gross Weight | Annual Fee | Branch No. | Agent

Insurance Certification (Give Full Name of Company) Not Agency or Group | Policy No. or Binder No. or Agents Name | Ins. Cert. Date

Check Appropriate Boxes

[ ] Title Only - Vehicle Not In Operation.

[ ] Replaced Plate No. _____ [ ] Exchanged Plate No. _____

[ ] Registration Plate Transferred - Plate Year _____ Plate No. _____ Sticker No. _____

FIRST LIEN | Date of Lien

Lienholder

Address

City | State | Zip Code

SECOND LIEN | Date of Lien

Lienholder

Address

City | State | Zip Code

Date First Operated in N. C. | State of Last Registration | Passenger Capacity | N. C. Dealer No. | Empty Weight | Combined Gross Weight of Truck or Truck-Tractor with Trailer

Purchased [ ] New [ ] Used | Purchase Price | Purchase Date | Purchased For Use in N. C. [ ] Yes [ ] No | From Whom Purchased (Name and Address)

Is This Vehicle Leased? [ ] Yes [ ] No

If Yes, Attach Form 330 or Lease Agreement

Check Box(es) Indicating Change or Alteration of [ ] Motor [ ] Body [ ] Identification No. (Attach Explanation)

CHECK CLASS OF LICENSE

[ ] Official | [ ] Amateur Radio | [ ] Farm | [ ] Contract Carrier | [ ] Private Passenger

[ ] National Guard | [ ] Taxi | [ ] Special Mobile Equipment | [ ] Common Carrier | [ ] Private Property Carrying

[ ] Horseless Carriage | [ ] U-Drive-It | [ ] For Hire | [ ] Leased | [ ] Exempt For Hire Carrier

(we) am (are) the owner(s) of the vehicle described on this application and request that a North Carolina Certificate of Title be issued. I (we) certify that the information on the application is correct to the best of my (our) knowledge. The vehicle is subject to the liens named and no others. If a registration plate is issued or transferred, I (we) further certify that there has not been a registration plate revocation and that liability insurance is in effect on this vehicle on the date of this application as required by the North Carolina Financial Security Act of 1957.

OWNER'S SIGNATURE _____

First Name | Middle Name | Last Name

Application must be signed in ink by each owner or authorized representative of firms or corporations.

ACKNOWLEDGMENT

Subscribed and sworn to before me this _____ day of _____ 19_____

(SEAL)

Notary Public _____

Address _____

My Commission Expires _____

DMV USE ONLY

Figure 3.2 North Carolina title application form, with added odometer information

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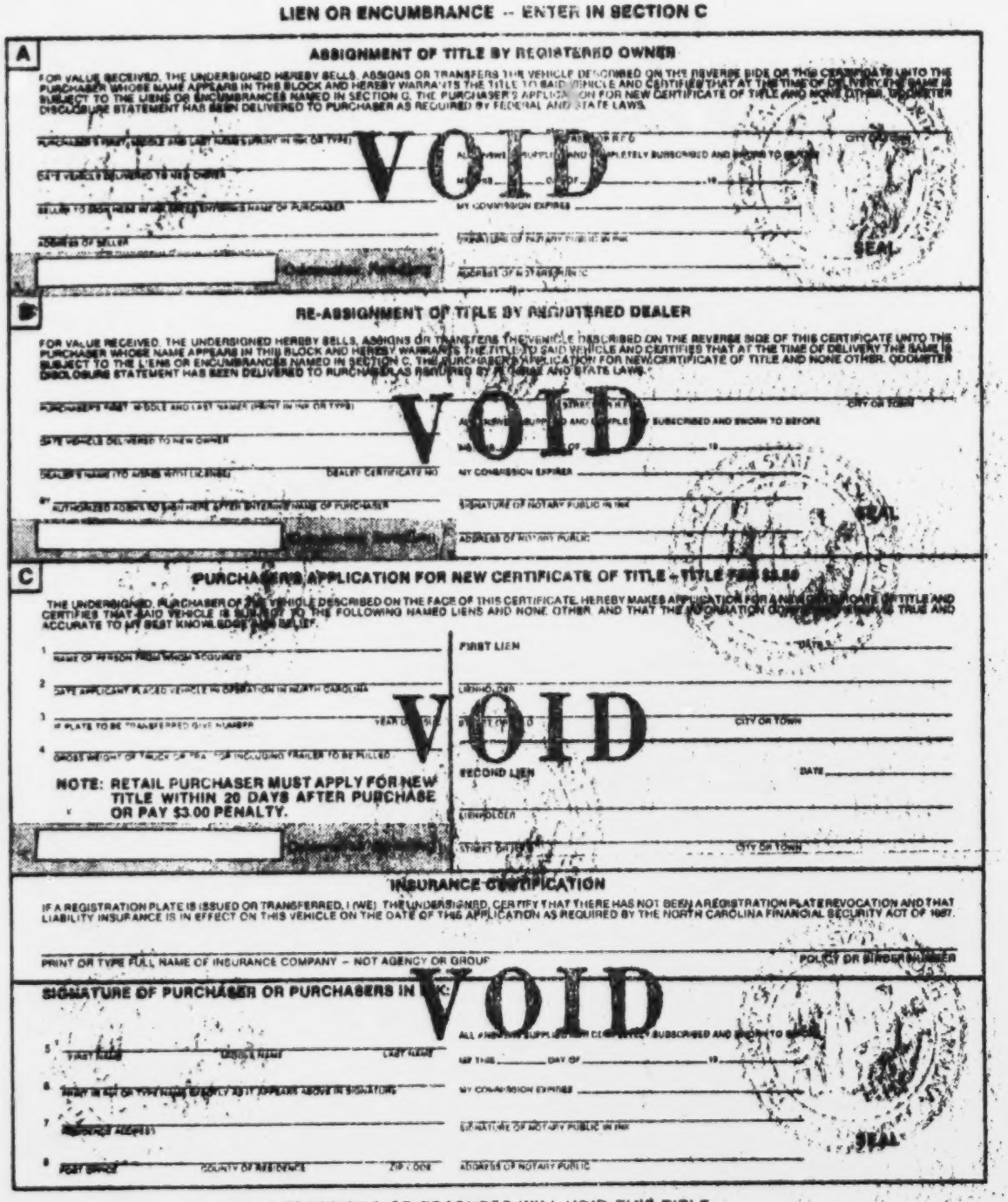

Figure 3.3 North Carolina certificate of title, with added odometer information.

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Out-of-State Title Transfers

If a motor vehicle purchased by a resident of State A was previously owned by a resident of State B having a similar odometer system, then the odometer history for the vehicle would be transferred to the odometer system of State A at the time the vehicle is registered in that state. State B need not be the state in which the vehicle was most recently owned if that (the most recent) state does not have a compatible system. In particular, each state having such a system would print a brief summary of the vehicle's odometer history on the face of the title document. This summary would contain the date and odometer readings of the last several registrations and/or sales. If it is not feasible for States A and B to exchange computer-readable data, the history summary printed on the face of State B's title would be manually entered into State A's system to form the basis of that vehicle's history file in State A.

Again, if in reviewing an application for title, State A observes some discrepancy in the present and/or previously recorded odometer readings, or if the required odometer information is found to be missing or clearly in error, further investigation would be initiated and the purchaser of the vehicle notified.

Motor Vehicle Registrations

Another source of odometer information would be obtained by requiring current odometer readings at the time of periodic motor vehicle registration. Ideally these odometer readings would be recorded by some independent party. In particular, if the registration procedure were coupled with a motor vehicle inspection program, then the vehicle inspector could record the odometer reading on the registration application.

In North Carolina, after the initial vehicle registration, the combined motor vehicle license renewal card and registration certificate is mailed to the vehicle owner prior to the date when the license renewal is due. The motor vehicle information is pre-printed on the card in machine-readable characters as is shown in Figure 3.4. There are several possibilities for entering the odometer reading on the registration form. If registration were coupled with vehicle inspection, the simplest way would be for the inspector to write the odometer reading in some designated space on the registration form. For an

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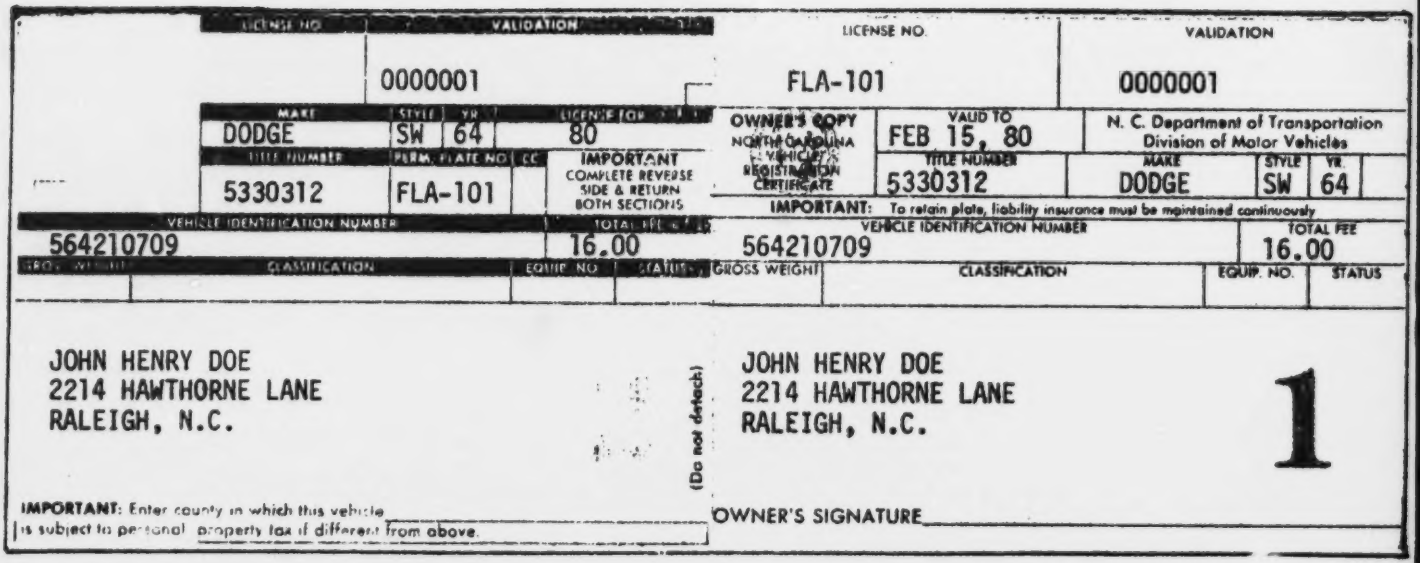

Figure 3.4 North Carolina motor vehicle license renewal card and registration certificate.

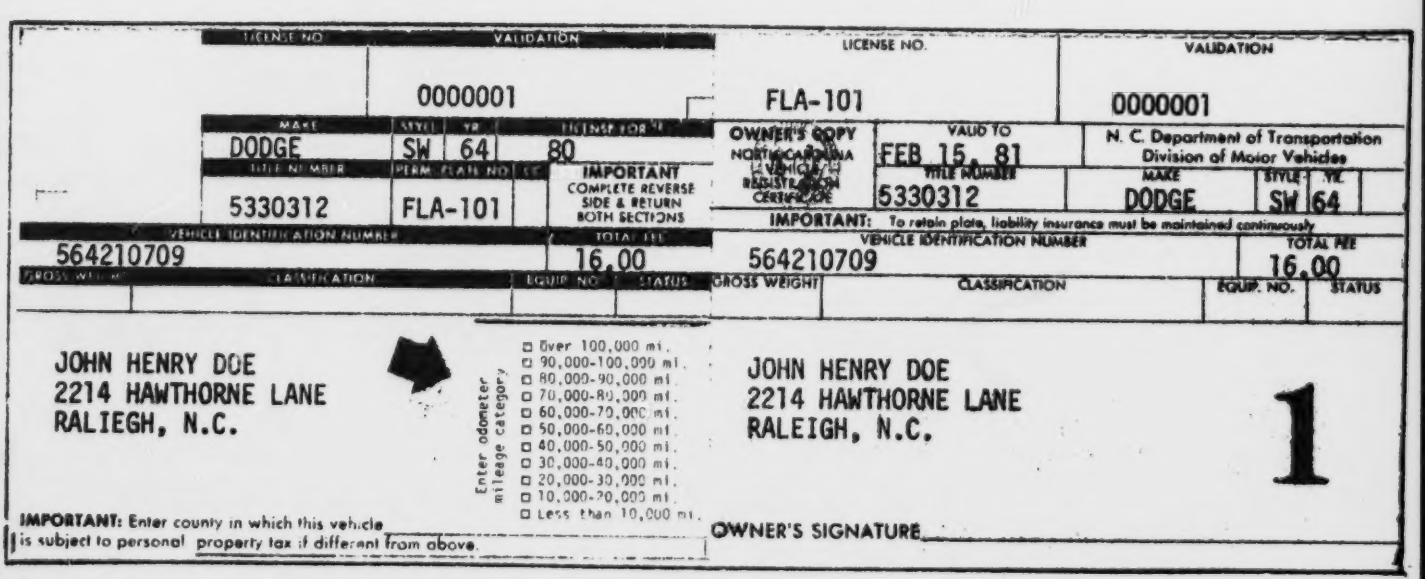

Figure 3.5 North Carolina motor vehicle license renewal card and registration certificate, with added odometer mileage categories.

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automated system, however, this would require that the odometer readings be manually keyed into the system, which would be quite time consuming and expensive. Figure 3.4 shows an example of a North Carolina motor vehicle license renewal card and registration certificate, and Figure 3.5 shows the same form with a series of mileage check boxes added. A scheme similar to this might be made machine-readable with some sort of system, although it could not be read with the system currently used in North Carolina. Another possibility might be to use a pre-typed stick-on label to indicate the appropriate mileage category.

If the annual or periodic registration were not coupled with vehicle inspection, the odometer reading would need to be entered on the registration form by someone other than the vehicle inspector, for example, by an employee at the agency which distributes the new license plates. With certainly some loss in reliability, the odometer reading could also be entered by the vehicle's owner. Even here the employee at the local registration agency could serve a quality control function. At least in North Carolina, approximately 90 percent of all registration renewals are handled by local offices rather than through the mail. Instructions to the persons in charge could request that they check to see that the mileage box has been marked and that the mileage category is indeed what the owner intended. In fact, the current entry could be compared with the latest previous odometer reading which could be pre-printed on both portions of the registration certificate.

Once entered into the computerized system, these odometer readings would be stored along with the ownership transferral information, in chronological order. Even if odometer readings recorded in conjunction with periodic motor vehicle registration could not be entered into a computerized system, it still might be worthwhile to obtain such readings if copies of the registration forms were maintained by the state for some period of time.

System Use; Consumer Awareness

With a fully automated system like the one described above each new odometer entry could automatically be checked against the most recent previous entry, and an indication given when the current reading is lower than the previous reading (allowing for obvious recycled odometers). For future

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reference, a character should be added to the automated registration history indicating this inconsistency. In addition, lists of such cases should routinely be directed to appropriate divisions within the state Department of Motor Vehicles. The system should also have the capability of generating lists of suspicious cases indexed by various other items on the file, and in particular by dealer license number. This would allow for prompt detection of those dealerships practicing odometer fraud on any regular or large scale basis.

Of course, with only a partially automated system only those odometer readings that are computerized could routinely be compared with previous readings. However, they would also be readily available to check against the odometer readings on hard copies of various other documents (e.g., Title Application, Certificate of Title, Dealer Reassignment Form).

In addition to making odometer information collected by the system available to state enforcement officials involved with odometer fraud, information should also be accessible to private citizens in the market for a used vehicle. The most straightforward way for a private citizen to check the validity of a vehicle's present odometer reading would be to examine the title document held by the current owner.

If the title is held by a financial institution, and thus not readily available, the individual should be able to obtain the information by contacting an appropriate state agency. Virtually all states maintain a computerized file of title and registration data. Such a file would be a convenient means of storage and retrieval of odometer readings for each vehicle. By using the existing file structure, the history of each vehicle indexed by VIN could be made available through the already functioning PIN (Police Information Network) system used by police agencies to check vehicle registrations. One way of handling this would be for the potential buyer of a used vehicle to contact his local police office and request them to query PIN to check the validity of the vehicle's current odometer reading.

Implementation of a system such as this would require a certain amount of increased public awareness. Since a mileage reading would be required at annual registration time, the vehicle owner must be given certain instructions when he receives his renewal notice. If the vehicle inspection receipt is to be the source of the independent odometer reading, the owner must be told or reminded to bring the current inspection receipt to the registration office.

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Alternatively, the owner must be aware that he will be asked to provide the current odometer reading for the vehicle.

The public should also be informed as to why mileage information is being requested for vehicle registration, what the civil penalties are for odometer tampering (in North Carolina, $1500 or three times the damages incurred, whichever is greater), and what to do if odometer fraud is suspected. An information leaflet mailed out with the vehicle registration renewal cards would be a logical mechanism for accomplishing these objectives.

For additional consumer information, pamphlets provided by the state Department of Motor Vehicles should be made available specifically to potential used car buyers at both the used car dealerships and at various banks and financial institutions where car loans are transacted. These pamphlets should again describe the civil penalties involved with odometer tampering, whom to contact regarding suspected odometer fraud, sources of information regarding previous odometer readings on a particular vehicle, information about the law requiring an odometer disclosure statement whenever any used vehicle changes ownership, etc.

Finally, it is recommended that concurrent with the initiation of required odometer readings on vehicle registrations and on ownership transfer documents, there should be a series of radio and TV spot announcements along with newspaper articles. These would focus on statewide attempts at reducing odometer fraud by describing the various aspects of the system, including the civil penalties for odometer tampering and public agencies to contact for further information. Copies of press releases should be made available to driver education instructors, police agencies, and others in contact with the driving public.

An automated statewide odometer enforcement support system, together with a strong program of increased public awareness, should go a long ways towards limiting the apparently widespread and costly problem of odometer fraud.

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CHAPTER 4. DISCUSSION

The initial goal of this project was to develop a system for capturing odometer readings on cars, light trucks and vans that could be used by North Carolina law enforcement personnel concerned with the problem of odometer fraud. The project also called for developing a detailed plan for field testing this system in North Carolina. However, for several reasons the N.C. Division of Motor Vehicles was unable to commit itself to a trial implementation of the proposed odometer system. Consequently the focus of the project was redirected towards providing a resource document that hopefully would be of value to any state considering an increased level of odometer enforcement support activity.

The two primary components of the recommended system include: (1) odometer disclosure statements on the title form at the time of motor vehicle transfer, including any dealer reassignments, and (2) odometer disclosure in conjunction with (annual) motor vehicle registration, preferably recorded by a motor vehicle safety inspector or some other independent party. Ideally, odometer readings from both of these sources would be entered onto a computerized system and appropriate programs developed for identifying possible cases of odometer fraud (as when a lower mileage is entered at a later date). Alternatively, and at some loss to the detection capability of the system, the odometer readings could simply be manually filed and made available to enforcement personnel and, on request, to individual consumers purchasing used motor vehicles.

There are obviously other approaches to dealing with the problem of odometer fraud. As described in Chapter 1, converting motor vehicle odometers to trip odometers that would only register up to 9999.9 miles is one solution that has been proposed. Another is to have the motor vehicle manufacturers supply a document that would stay with the vehicle during its lifetime and to require that odometer mileages be recorded on this document at the time of any transfer of ownership. However, utilizing existing title and registration files which in most states are already computerized, and extending these to incorporate odometer histories would seem to provide the most practical and cost effective solution to the problem of odometer fraud.

Even so, to obtain valid odometer histories and to enter them into the system would involve additional expenses and personnel requirements for the state. The extent to which a state would be justified in this additional expense would depend on the magnitude of the odometer rollback problem and the

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effectiveness of the odometer history system (together with various enforcement programs) in reducing the problem.

While popular opinion seems to be that odometer rollback is quite widespread, there are, as yet, no reliable estimates of the magnitude of this problem. Chapter 1 of this report reviewed studies conducted in the states of Washington and New Jersey, resulting in widely different estimates of the magnitude of the odometer tampering problem. This might be explained in part by sampling differences and different approaches followed in identifying cases of odometer rollback (checking with the previous owner vs checking title records for a lower odometer figure at a later date.) The National Highway Traffic Safety Administration has estimated that odometer rollback costs U.S. consumers over a billion dollars annually. However, for most states, only the "tip of the iceberg" has been identified. Complaints from the public to state enforcement personnel concerning odometer fraud, in general, seem to comprise a relatively small portion of the complaints with respect to other matters. Thus, it is not surprising that, lacking firm information on the magnitude of the odometer rollback problem, states are reluctant to allocate the funds needed to address the issue.

However, a study currently underway by the State of California should provide some estimates of the magnitude of the odometer rollback problem. As discussed in Chapter 1, this study, supported by the National Highway Traffic Safety Administration, will attempt to determine overall rates of odometer tampering through the examination of ownership transferal documents for some 5,000 randomly selected vehicles representing the full range of used car sales in the state. In addition to these, the records of some 2,000 vehicles sold by leasing companies will also be thoroughly examined to determine odometer tampering rates in this particular area of the used vehicle market.

Perhaps the weakest aspect of the odometer history system described in Chapter 3 is the fact that if a vehicle is purchased which was previously titled in a state where no odometer histories were retained, then the system would be unable to identify any prior odometer tampering. Such interstate "title laundries" are also to be investigated in the California study, and should provide some estimate of the magnitude of this aspect of the odometer fraud problem.

The results of the California study and possibly some additional studies should provide valuable information concerning the level of odometer history system needed to be cost effective. Given that some action by the states does

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appear justified, it is hoped that the material presented in this report will serve as a useful starting point for developing an effective statewide odometer enforcement support system.

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